SUMMER 1957

VERITAS ET UTILITAS

THE BUSINESS QUARTERLY

STATE UNIVERSITY
JUL 9 1957

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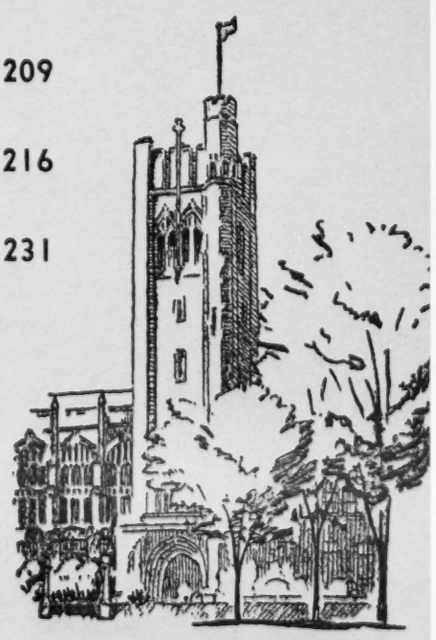

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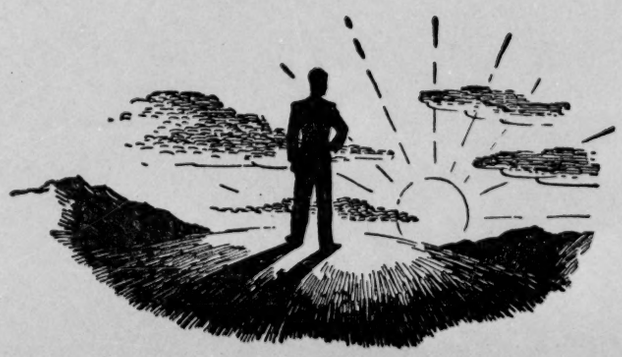

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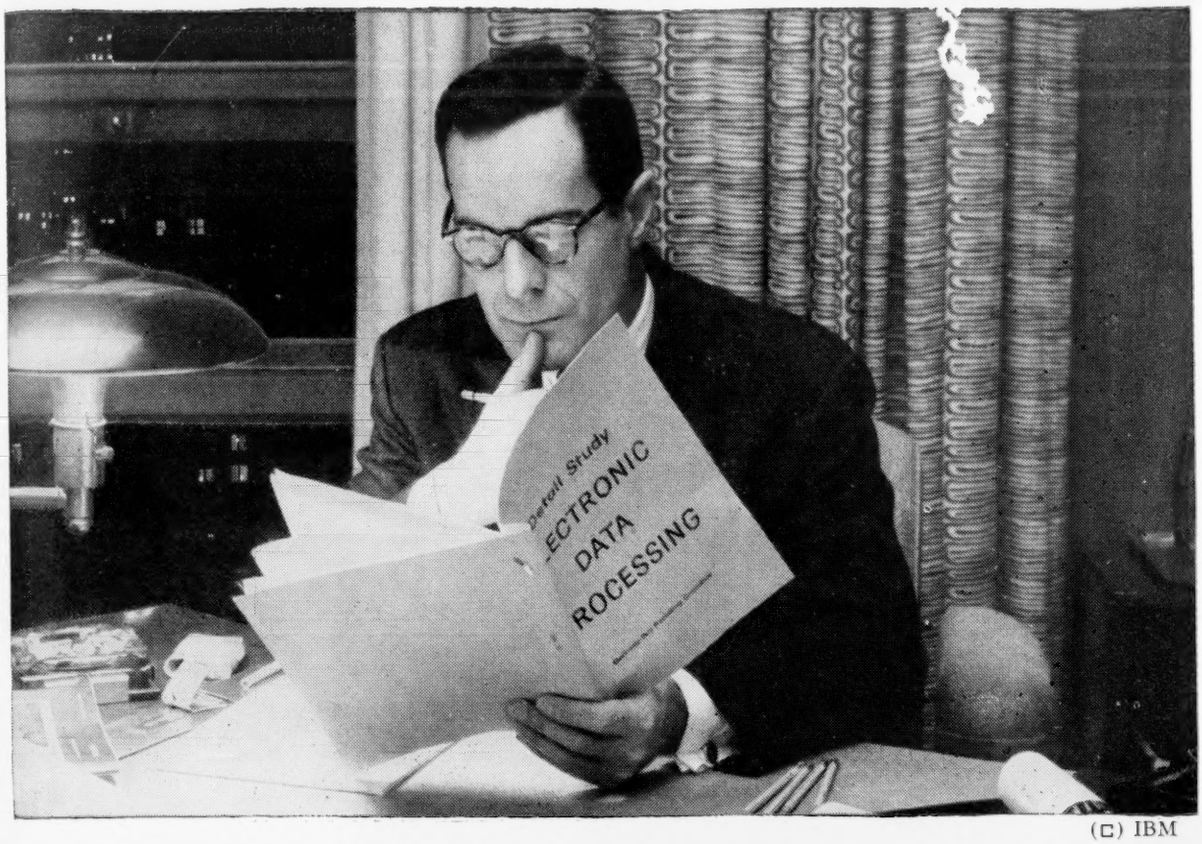

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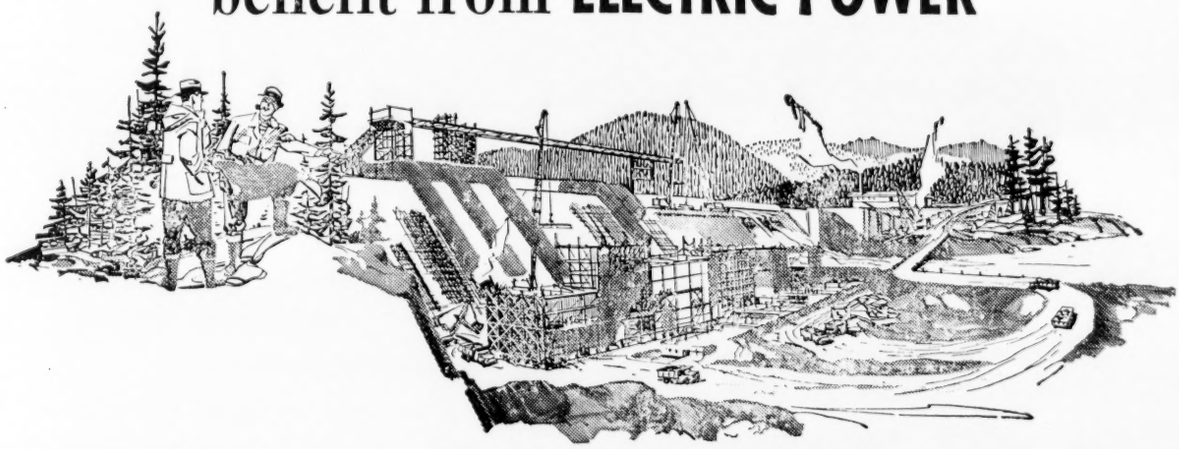

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Published by—
The School of Business Administration,
University of Western Ontario,
London, Canada.

The views and opinions herein expressed are those of the several authors and do not represent an official opinion of *The Business Quarterly* or the University of Western Ontario.

Manuscripts and correspondence concerning articles should be addressed to the Editor.

A consolidated index of subjects and authors was published for the first 20 volumes in Vol. XX, No. 4. The contents are currently indexed by the Canadian Index, Ottawa, the Public Affairs Information Service, New York, and "Management's Documentation Review", Documation Inc., Woodbury, N.J.

Business Manager—
N. M. ARMSTRONG

Subscriptions — Single copy, $1.00; One year, $3.50; Three years, $8.00.

Advertising Rates — Furnished by the Business Manager upon request.

Printed by—
Hunter Printing London Limited,
226 King Street,
London, Canada

Authorized as second class mail, Post Office Department, Ottawa, Canada

Editorial . . .

Each summer, after the University has proudly capped and gowned its annual crop of graduates and post-graduates with appropriate degrees, the *Business Quarterly* is proud to include along with articles by those already eminent and learned in business or college, some specimens of student papers.

One of the advantages of the case discussion method of teaching, so proudly used and advocated by this School of Business Administration, is that two dozen or more minds devoted to a problem are more likely to produce bright and original solutions than a single mind, even of an eminent professor. Age can certainly learn from youth wisdom as well as energy and optimism. Sometimes, too, youth can be more frank than is common in this age of "Yours Sincerely, Willis Wayde", the modern equivalent of Uriah Heep.

In this issue, three graduates from Quebec tell management what it should know about that province; there are some significant omissions from this article, but our poverty compels a wary eye on the Canadian law of libel. Another paper, originally prepared for seminar discussion and drastically cut to fit our Procrustean bed, introduces the reader to the often misunderstood and misrepresented Canadian Crown Companies. A prize winning student of journalism writes the fourth in our series of business biographies of outstanding Canadians. And another student syndicate, after studying marketing, has produced an interesting analytical approach to the problem of retail store location.

This is not a student magazine or written for students. It is written for businessmen, more often than not by businessmen, but present executives can learn much from these executives of the future.

AUTOMATION

SOME may view with misgiving any device that tends to reduce the amount of labor in the production of goods. In earlier generations the introduction of such devices has caused riots. Even today, after a couple of centuries of enlightenment, there are a few who complain of what they call automation.

Despite these alarms, labor-saving devices have added to employment, increased wages per hour and raised living standards for all. An obvious example is the fact that a man operating a trenching machine is paid many times more than a man who, a generation ago, was asked to dig a ditch with a pick and shovel.

The steel industry still produces steel for picks and shovels, but earth-moving machinery in general uses greater tonnages of steel than do factories making picks and shovels.

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Letters to the Editor . . .

Dear Sir:

I wish to clarify certain points about my recent article in this journal, "Canada's Present Money Problems". My intention was to begin the exploration of various control mechanisms which might become necessary if orthodox measures proved insufficient. Unfortunately, my language may, in places, have given the impression that I was advocating a set of concrete proposals. In reality, I intended to provoke much-needed discussion rather than ill-considered action, and the article should be considered in that light.

Let me add that although I benefitted from the writings of Professors J. R. Hicks and H. G. Johnson, and from discussion with Mr. G. F. Bain, Professor G. A. Elliott and many others, none of them is in any way responsible for the views I hold on these matters.

J. N. Wolfe,
Dept. of Political Economy
University of Toronto

Electronics and the Four A's

May I congratulate you on the fine illustrations accompanying the article and—in general—on the artistic make-up of your magazine. I assume that the illustrations will be part of the reprints ordered.

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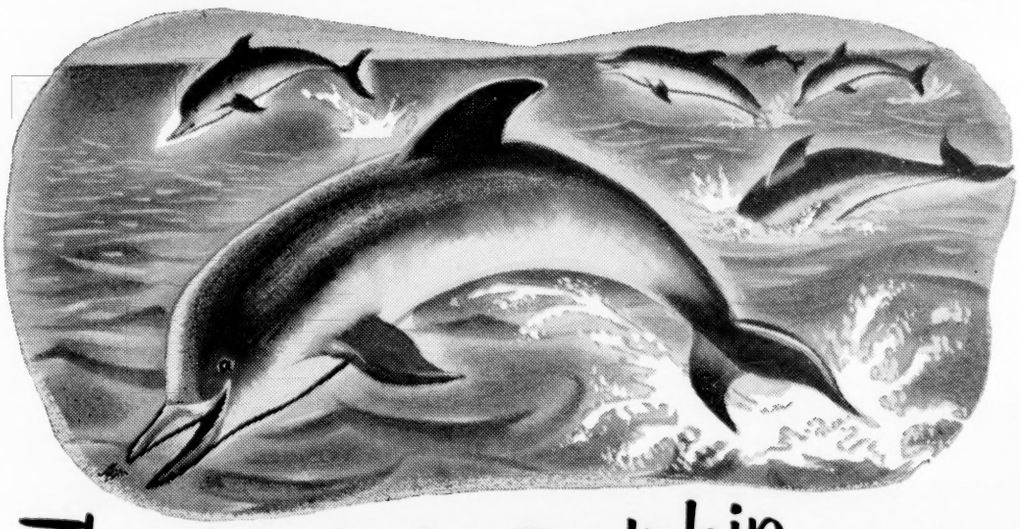

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About Our Authors . . .

Dr. Leopold Kohr, now Associate Professor of Economics at the University of Puerto Rico, has a varied background which includes becoming a war correspondent in the Spanish Civil War, acting as secretary to Canadian historian Professor George M. Wrong, and being international law research associate at the Carnegie Endowment for International Peace. He is also a graduate of the London School of Economics, Innsbruck, Paris, Vienna and Toronto. His new book, 'The Breakdown of Nations", has just been published (v.p.229).

Mr. Michael S. Yuhasz is Assistant Professor of Physical Health and Recreation at Western. He has his B.A. from Western and an M.S. from the University of Illinois. His research work is in the field of physical fitness and tests and measurements, and for two years he has been consultant with the R.C.A.F. in setting up a physical fitness program for the Air Force.

Joseph C. Mills, educated at the University of Manitoba and at Yale University, is now with the Research Department of The Toronto-Dominion Bank. Previously he was with the Combines Branch of the Federal Department of Justice and later attached to the Premier of Manitoba's office. He recently completed a year on the staff of the Gordon Commission.

Joan Davidson, responsible for this issue's "Business Biography", is a third year student in honours journalism at Western. She comes from Winnipeg, and last year won the Board of Governors scholarship in the journalism course.

Dr. G. E. Faulds, well known in private practice in London, has been part-time physician for the Bell Telephone Company in the district for nine years. He graduated with an M.D. from the University of Western Ontario in 1937.

(Continued on Page 145)

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ABOUT OUR AUTHORS - *Cont.*

Colin C. Dumbrille, controller of Du Pont of Canada, was born in Montreal and graduated with a Bachelor of Commerce degree from McGill University. He has served in a number of positions since joining the company in 1947 as an accountant in training. These include those of industrial department accountant and supervisor of consolidated accounting. For two years, from April, 1950, he served in the vice-president's office. He was appointed to his present position in July, 1954.

Among the contributors from the School of Business Administration are three groups of graduate students.

The report on Crown Corporations was prepared for a seminar by **Gordon A. Cole,** who holds a B.A.S.C. from Toronto; **Charles B. Johnston,** a University of Western Ontario graduate in 1954; **J. Kevin Power,** a Bachelor of Commerce from McGill University who is a Lieutenant - Commander in the Royal Canadian Navy, and **Arnold Saffel,** a University of Alberta graduate and a chartered accountant.

Joseph Mullie, George Fulford, Douglas S. Allen and **Barry Holt** were students in the retailing course, for which they produced the report on choosing a supermarket site. All graduated this spring with M.B.A. degrees, after doing undergraduate work at other universities.

Rene Genest, a Christian brother, was a special student in the graduate program during 1956-57. **Guy Laurin** is a graduate in law from Montreal University, and **Guy Leblanc** is secretary to the United Fishermen of Quebec. All graduated this spring from Western's graduate program. Their article, "What Management Should Know About Quebec", was originally prepared for a graduate seminar at the Business School.

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CANADIAN TAXATION

— and the businessman

K. W. Lemon, F.C.A.

AS had been anticipated for some time, the Legislature of Ontario has now enacted a Corporations Tax Act which, commencing in 1957, levies income and other taxes against corporations doing business in Ontario. This re-entry of Ontario into the field of corporate taxation, while considered necessary in order to provide the provincial government with adequate revenues, will be regretted generally by the business community. The return to provincial taxation involves not only considerable nuisance and duplication of work and effort but the new Act also has the effect of levying an additional tax of 2% on corporate income earned in Ontario and thus places Ontario corporations at a competitive disadvantage with those carrying on business outside the province.

The new Ontario Act levies tax at the rate of 11% on corporate income deemed to be earned within the province (of which 9% may be recovered through a reduction of federal taxes—resulting in a net increase of 2%) and also provides for certain taxes on capital and places of business. The latter taxes, however, will not be of general application as they are payable only to the extent that they exceed the tax on income. The provisions of the taxing statute, unlike the Quebec Corporations Tax Act, parallel quite closely those of the federal Income Tax Act. Despite the general similarity of the two Acts, however, there are certain important variations which merit careful consideration.

The most significant of the variations is probably the difference between the federal and Ontario formulae for the determination of income deemed to be earned in Ontario. While both formulae are based on an apportionment of profits in relation to the average of the percentage of wages paid in the province to total wages and of sales in the province to total sales, there are these important differences:

(a) The Ontario rules provide that a sale will be attributed to the location from which goods were shipped direct to a customer (even if the order

were obtained from a different office of the corporation). Under the federal rules it has been the practice to attribute sales to the office where the order was obtained.

(b) The Ontario rules do not provide for the allocation of profits in accordance with results shown by separate accounts maintained for establishments in each province—an alternative which is permitted for federal purposes.

These differences, combined with the Province of Quebec's practice of taxing profits derived from sales to residents of Quebec, are cause for serious concern to many Ontario companies.

As the various formulae for the allocation of income now stand many Ontario companies will be seriously penalized. A company which maintains its principal manufacturing facilities in Ontario and which makes direct shipments from Ontario to Quebec customers although it maintains a sales office (or other establishment) in Quebec will find, for example, that both Quebec and Ontario taxes will be levied on the profits arising from the direct shipments. This would result in a total provincial tax of 20% against which only one federal tax credit of 9% would be allowed, resulting in increased tax of 11%. Similarly, an Ontario company which makes shipments on this basis to customers residing in a province which does not levy any corporation tax will find that the profits resulting from such direct shipments will be subject to the 11% Ontario tax but that no federal credit is available as the profits are considered for federal purposes to have been earned in the province in which the customer resides. In the reverse situation a corporation which maintains its manufacturing facilities in Quebec may escape both Ontario and Quebec taxes on profits derived from direct shipments to Ontario customers although it would still be eligible for the federal credit of 9% in respect of such profits.

In these circumstances the new Ontario corporations Tax Act creates a tax climate which is most unfavourable to the establishment or maintenance of manufacturing facilities in Ontario. On the other hand a considerable tax incentive is presently provided for the establishment of manufacturing facilities in Quebec which can supply Ontario customers by direct shipment. As indicated above, profits from such direct shipments will escape provincial taxation completely at the present time and will be subject to 9% less than the normal rate of federal tax. A similar although lesser incentive is provided for the establishment of manufacturing facilities in provinces other than Quebec or Ontario.

A glimmer of hope has been provided by the recent suggestion that this unfortunate situation will be partly corrected by the adoption for federal purposes of the Ontario "direct shipment" rule. There have also been rumours that Quebec intends to adopt the Ontario formula. Ontario corporate taxpayers will hope fervently that these rumours have some basis so that some way may be found out of the existing jungle.

THE DANGER OF SIZE

- Capitalism Grows Into Socialism

Leopold Kohr

"There are, at the present time, two great nations in the world which seem to tend toward the same end, although they started from different points; I allude to the Russians and the Americans."
—Alexis de Tocqueville.

CHICKENS are rather a harmless lot. Yet farmers raising them in large numbers are frequently troubled by a phenomenon usually associated only with the world of man: cannibalism. When a chicken gets accidentally hurt, the heretofore peaceloving birds around it get so excited by the sight of blood that they peck at the unfortunate compatriot until it is dead.

"Some Are More Equal Than Others"

On an Orwellian chicken farm we could well imagine what sort of proposals the various members of the flock would advance to end the shameful condition. There would be the reeducators suggesting that all that is needed is better training. There would be those attributing cannibalism to bad leadership; they would favour the extermination of the wicked. There would be some attributing it to clannish disunity; they would suggest the unification of chickenkind and the outlawing of all bloodshed. And there would be the Marxists amongst them, attributing

the evil to the pecking mode of feeding; they would suggest a change in the manner by which chickens acquire their living.

But each time one of the suggested policies is put to trial, its advocates would sooner or later discover the same thing: chicken cannibalism all over again. Finally, however, some might stumble on the clue to the mystery. Puzzled by the fact that cannibalism seemed never to occur in smaller chicken societies, they would attribute it to the excessive volume of their own numbers. As a result, instead of trying different training or feeding methods, they would propose the breaking down of overgrown chicken societies into a number of smaller ones.

This is exactly what Lou Harwood, a prosperous New Jersey chicken farmer, did. Only he did not solve the problem by the physical division of his flock. This would have meant either a reduction in the number of chicken or the separation of sub-critical flocks over a wider area. Both alternatives would have been more costly than the tolerance of cannibalism. So he solved it through psychological division. He invented spectacles and later plastic eye lenses which had the effect of narrowing the vision of chickens in such a manner that they could see only a few members of their group at any one time. This gave them the impression that they constituted a nationality too small to evoke in them cannibalistic lusts at the sight of blood. The device proved so successful that Mr. Harwood gave up chicken farming, and now earns a handsome income by producing chicken spectacles instead.

Sheer Size Causes Wars

The significance of this story is that it illustrates a still largely ignored basic element explaining social behaviour irrespective whether the society involved is one of animals or man. This is the size of the group, or *social size,* as we may more briefly refer to it. For just as the cause of chicken cannibalism is not lack of training, bad leadership, inherent wickedness, or the mode of production, but the sheer physical fact that the flock has grown to a certain critical size, so the cause of many human miseries seems not to lie in the customarily mentioned circumstances but in the fact that societies have outgrown certain proportions. Then, complexities such as traffic accidents, the mass outbreak of brutality, war, or economic catastrophies are no longer the result of human failings but of social size.

This explains, for example, both the predictability of traffic casualties and the futility of trying to avert them by cautious driving. For at a given traffic volume, the casualty figure is produced not by lack of caution but by the population of drivers who, at a given mass, turn the uncertainty of chance into the certainty of statistical law. Where only small numbers are involved, the frequency of events, dependent as they

are on individual action, is totally unpredictable. But in a community of the size of Chicago, the individually most unpredictable becomes collectively predictable, from the number of deaths, accidents, and false fire alarms, to the fact that within the next thirty days "just under 1,000 burglaries will be committed. About 500 citizens will be held up at the point of a gun, or with some dangerous weapon. Some 15 people . . . will be murdered. Thirty or more women will be waylaid and attacked."[1] Though none of the 4 million Chicagoans needs to be individually involved in any of these events, a social mass of their size will produce exactly that amount.

But social mass not only produces at given levels a given rate of crime but other complexities. At a given level it seems to become itself the principle criminal, displaying collective attitudes completely different from those of its component individuals, and growing worse with the growth of its volume. Indeed, what Gulliver said of human creatures, may also be said of human masses. They become "the more savage and cruel in proportion to their bulk." When a few New Yorkers saw a man getting ready to jump from a skyscraper, they at first watched with sympathy and terror. But as their number grew larger, sympathy turned into delight, and terror into thrill. Finally, the size of the crowd so socialized the conscience of its members, that they began to clamor in impatient chorus for a speeding up of the expected suicide. Clearly, the element causing this monstrous reflex was not education, tradition, mode of production, or the nature of New Yorkers, but their physical mass.

And it is the mass, not the nature, of men which, at a critical magnitude, causes the outbreak of aggressive war, even as it is the mass of uranium, not the nature of its component particles, which, at a critical weight, causes the explosion of an atom bomb. If aggressive leaders such as Napoleon or Hitler were the cause of warfare, it would be difficult to understand why Pericles or Julius II, the one the most enlightened statesman of antiquity, the other the most urbane Pope of Rome, aggressed as lustily, while aggressive leaders such as Tito and Franco, one a communist, one a fascist, have accumulated an enviable record of keeping the peace. If retarded civilizations were the cause of war, it would be difficult to understand why the most savage wars have frequently been fought by peoples, such as the Italians during the Renaissance or the French during their *grande siècle,* when they reached the pinnacle of their cultural accomplishment, while those least known for their military exploits have often been the savages. If the capitalist mode of production would be the cause of war, we might understand the aggressive campaigns of capitalist Germany, France, or England, but hardly those of communist China, Russia, or Korea. Nor could we understand the impressive peace record of such arch capitalist countries as Switzerland, Luxembourg, or Liechtenstein.

[1]*The Field Glass,* House Organ of Marshall Field Co., Chicago, October 6, 1952, p. 4.

The one element constantly able to explain both aggressive wars and outbursts of social brutality under most diverse cultural, national and economic conditions seems the fact that a given society reaches at a given moment critical size. This is the size at which it has reason to feel that it cannot be checked by any opposing group or combination of groups. Once it has this size, it matters little whether the community speaks French or German, whether it is socialist or capitalist, whether its members are brawlers or saints, fascists or democrats, civilized or savages. While below a critical magnitude every group behaves well, above a critical magnitude none does.

Nowhere has this been illustrated more dramatically than in India. In the first year of critical power, the disciples of Ghandi staged two aggressive wars, against Hyderabad and Kashmir, and have threatened a third, against Pakistan, ever since. In the meantime they have also pushed France from their neighbourhood, invaded peace loving Portugese territory and, following sound imperialistic principles, forced the independent Kingdom of Nepal to change its century old constitution. Only in the face of China and Russia does India practice what she preaches—love of peace. They happen to be two neighbours in relation to whom her own social size is far below critical volume.

Size Makes Socialists of Us All

But critical social size explains more than complexities of social and political nature. It also explains many of our most outstanding economic complexities. The widely deplored trend towards socialism, for example, seems not due to the effectiveness of socialist teaching or well organized socialist parties, as is frequently maintained. If this were the case, it would be incomprehensible why the conservative governments of Sir Winston Churchill and Sir Anthony Eden, after defeating the socialist Labour Party twice, could do no better than continue practices that range England's government controlled economy second only to the controlled economies of the Soviet orbit in social perfection. And it would be still less comprehensible why the United States, while fighting communism in all corners of the world, should under both Democratic and Republican administrations have increased the government sector of her economy to such an extent that, next to the groups of the Soviet orbit and Great Britain, hers may safely be called the third most communized society of our time.

Obviously, no educational, ideological, or economic cause can account for this. The reason seems again to lie in the phenomenon of social size. For when a society outgrows certain limits, its complexities multiply at such an accelerating rate that an increased government role becomes necessary on this ground alone.

True, at first this increased role is only of a social and political nature. With the rising rate of accident and crime, a greater police and judicial apparatus must be maintained. And with the rise of national power, also the military apparatus must be enlarged. Moreover, as comparative police and defense expenditures reveal, the enlargement of government functions will be more than proportionate to the increase in social size. For the paradoxical result of social overgrowth is that the feeling of group security seems to vary inversely with the magnitude of security measures. This is why Saint Augustine was not unreasonable when he asked his fellow Romans in *The City of God* (iv, 3): "What reason, then, or what wisdom shall any man show in glorying in the largeness of empire, all their joy being but a glass, bright and brittle, and evermore in fear or danger of breaking."

However, once a society outgrows optimum limits, political and social complexities are soon joined by a host of economic complexities which previously resolved themselves through the automatic balancing effect of competition, but now require the intervention of government. The reason for this lies not in the *theory* but in the *physics* of economics. A dynamic economic system, as any system of independently moving particles, is self-regulatory only as long as its component units are both numerous and relatively small.[2] Only then will the clash of interests or the collision of particles not only fail to disturb the harmony of the whole but, similar to the gentle disturbances affecting an artist's mobile, release themselves the counterforces necessary for a restoration of equilibrium.

The picture changes, however, when social growth and the resulting widening market areas lead both to an increase in the size, and a reduction in the number, of business units. For as business units become both larger and fewer, competitive collisions assume such proportions that, far from releasing their own balancing forces, they threaten to ruin, along with their opposing forces, the very mechanism of the system of which they are part. And this is the element forcing the government of even

[2]The principle involved is the same as that described by Erwin Schroedinger, the Nobel-prize winning physicist, when he analyzes the intrinsic reason for the smallness as well as the infinite number of atoms as the prerequisite to all physical orderliness in uncontrolled systems. "And why," he asks, "could all this not be fulfilled in the case of an organism composed of a moderate number of atoms only? Because we know all atoms to perform all the time a completely disorderly heat motion, which, so to speak, opposes itself to their orderly behaviour and does not allow the events that happen between a small number of atoms to enrol themselves according to any recognizable laws. Only in the co-operation of an enormously large number of atoms do statistical laws begin to operate and control the behaviour of these *assemblées* with an accuracy increasing as the number of atoms involved increases. It is in that way that the events acquire truly orderly features. All the physical and chemical laws that are known to play an important part in the life of organisms are of this statistical kind; any other kind of lawfulness and orderliness that one might think of is being perpetually disturbed and made inoperative by the increasing heat motion of the atoms." Erwin Schroedinger, *What is Life?* Cambridge: University Press, 1951, p. 8. The overwhelming importance of statistics indicates that also social laws are essentially of a statistical nature, coordinating the otherwise completely anarchic movement of social particles—individuals—into orderly patterns that do not require a conscious coordinator as long as the number of particles is not reduced through the development of gluts or blocks of great size.

the freest society to assume at a given level of expansion, in addition to its increased political and social function, also an ever increasing economic role—first as a balancing third force, and ultimately as a centralizing and actively socializing first force.

Size Exacerbates Business Fluctuations

The most significant cause explaining this transition from competitive capitalism to controlled socialism is a still largely unidentified element affecting and changing at a given stage of economic growth the nature of business cycles.

In pre-industrial periods, business fluctuations were principally due to influences which, such as wars, disease, or sunspot activities, were external (*exogenous*) to the economy. Since the main kind of economic activity was then agricultural, however, these fluctuations were more in the nature of *farm cycles* than business cycles. The most famous of them was the biblical cycle of seven fat and seven lean years. The precision with which Joseph of Egypt predicted it was probably due to the fact that, long before Jevons, he must have been one of the first sunspot theorists, relating farm and weather cycles to storms ravaging the surface of the sun. Farm cycles disappeared as a major economic problem when the industrial revolution made conservation and storage processes available which counterbalanced the disturbing effect of nature's fickle temperament.

But while the industrial revolution diminished the significance of farm cycles, it helped to increase, along with the growing importance of business as the principal form of economic activity, the significance of *business cycles* proper. These were caused not by external (*endogenous*) forces, generated by the inner working of an uncontrolled free enterprise system itself. However, as long as market areas and business units are relatively small, the scale of fluctuations they could produce was so limited that no external stabilizer was required. For, as the various self-generating theories pointed out, each phase of the cycle—prosperity, recession, depression, recovery—created automatically the forces leading to the next phase.

However, as trading areas fused and business units grew, both competitive collisions and cyclical fluctuations, growing in intensity with the growing size of increasingly integrated market areas, began to assume such proportions that the shocks they produced could no longer be absorbed by the self-balancing mechanism of capitalism. Only three of the four phases of the cycle were now still capable of producing unaided the forces leading to the next phase: recovery, prosperity, and recession. Depression had become a terminal stage. Intellectually, the change was acknowledged through the formulation of a *limited* self-generating theory

which completely reversed the conclusions of the older unlimited self-generating theories. While the unlimited versions rationalized the *laissez-faire* ideal of freedom from government, the new version rationalized government intervention. For who, except government could marshal the force necessary to propel an overgrown economy, that had crushed its bones by falling into too deep a valley from too high a peak, out of the pit of depression once it had landed in it?

Of the two forms of government intervention now proposed to avert future downswings, which henceforth threatened to end not so much in depression as in collapse, one is symbolized by Marx, the other by Keynes. The assumption of both is the same: business cycles, being offsprings of an uncontrolled system, cannot occur if the economy is under control. But while the Marxian approach advocates the outright replacement of uncontrolled capitalism by fully controlled socialism, the Keynesian approach offers social control merely as an emergency measure fluctuating in intensity with the free enterprise system's fluctuating need of support. In practice, however, the Keynesian approach entails a degree of socialization which may differ in purpose from the Marxian aim, but hardly in its effect. For once government is equipped with the necessary machinery to intervene effectively in the private economy, its enormously enlarged apparatus cannot be dismantled each time a crisis has passed. This would at once lead to a new crisis. Thus, even the Keynesian approach leads, in the last analysis, not to fluctuating but permanent controls which, in addition, must be the more sweeping the larger the economy and the greater the disruptive potential of its cyclical fluctuations.

The recent history of the great capitalist powers seems to confirm both the inevitability of this development and the Marxian prediction that capitalism breeds the germ leading to its own destruction. Its lack of social control produces business cycles, and business cycles produce the need for social control.

Yet, while the conclusions seem compelling, there appears to be a fundamental flaw in the premises from which they are derived. For, contrary to the implications of the limited self-generating theories, the element requiring government control are not business but *size cycles.* Cyclical fluctuations as such are no more harmful to the economy than breathing is to a man, and there is no more need to call for an external stabilizer on their account than there is for a man to call a doctor because of the recurring contraction and expansion of his breathing mechanism. What turns them into a problem is the disruptive *scale* they are able to assume as economies outgrow certain proportions. And scale is as external to the economy as are sunspots, taking their measure not from the *system* producing cycles but from the *size* of the society through which the cycle is able to transmit itself. Contrary to Marx, the element leading to the destruction of capitalism is thus not the inner working

of a free enterprise system but *social size* which, at a critical magnitude, thus appears once more as the principal cause turning nonproblematical occurrences into major problems.

Size Cycles Distinct From Business Cycles

The identification of size cycles as distinct from business cycles is both theoretically and practically of prime importance. Theoretically, it clears up the basic error of the limited self-generating theories, which dealt such a blow to the defensibility of capitalism, by separating the self-generating elements *inherent* in capitalism from the strictly *external* factor of social size which, by limiting their effectiveness, makes government intervention necessary. It shows that, though size cycles appear at first as riding the back of business cycles, seemingly capable of giving volume only to fluctuations created from within the economy, they are nonetheless completely separate phenomena in both origin and effect, even as waves blown up by a hurricane are completely separate phenomena from waves produced by the inner agitation of the ocean which the storm may have amplified.

Practically, the distinction is of importance because it not only reveals the fundamental change that has affected the nature of cyclical fluctuations but also offers an infinitely more constructive solution than was possible up till now. For as long as theory keeps on mixing externally caused size cycles with internally caused business cycles, it cannot cope with the problem of business *cycles* except through the partial or total abolition of the business *system*. To relieve the patient of excessively heavy breathing it suggests stopping his breathing. But once it is realized that the true problem is not the business but the size cycle, entering the scene at a critical social magnitude from the outside, the damaging intruder can be eliminated without at the same time eliminating the system it has invaded. All that is then needed is not the introduction of social controls but the reduction of social size to proportions within which fluctuations can do no harm because the market area through which they can transmit themselves is simply not large enough to permit dangerous amplifications.

To appreciate this point is most important because the controls offered as panacea by present economic theory, while possibly eliminating basically harmless business cycles, are paradoxically the very element aggravating the danger of size cycles. True, the impact effect of controls is that, by making business cycles impossible, they eliminate at first also the size cycles riding them. However, the undisturbed calm and purposeful direction that usually follows the introduction of a planned economy invariably leads to renewed political and economic growth but this time on a scale that, what previously was out of control because of uncontrolled capitalism, now outgrows control because of

excessive social size. This is when, to the surprise of many an economic planner, size cycles reappear, no longer as mere amplifiers of business cycles, however, but as independent phenomena bedevilling the economy in their own right, irrespective of whether the system is controlled or uncontrolled, capitalist or socialist.

An excellent example to this effect has been provided by Soviet Russia whose tightly controlled economy seemed to have eliminated fluctuations forever. Yet in 1933, as in an old-fashioned capitalist depression, "mines, steel works and plants in the light and food industries were choked up with unshipped output . . . The railroads could not even deal with shipments of rails, fastenings, or pipe, the needs of transport itself." By the end of 1934, the situation had deteriorated to a point that "there were more than 3 million tons of timber awaiting rail shipment, along with 2 million tons of coal and almost 1 million tons of ore. A total of 15 million tons of cargo, altogether, awaited shipment at that time. Heavy industry alone had 80,000 freight cars piled up awaiting transportation."[3]

What caused this? Capitalism? It did not exist. Communism? Of course not, since the same things happened in capitalist depressions. Mismanagement? Hardly, since the Soviet manager knows that his failure, in contrast to a mere capitalist's mistake, might mean not only loss of his job but of his freedom and life as well. Absence of experience and technical knowhow? Unlikely, since their uncontested possession in capitalist countries could not prevent *their* depressions either. Trotskyite-Bukharin treason or bourgeois nationalistic deviationism? None of these. It is plain unadultered inability of man to cope with the problems of societies that have outgrown his limitations.

Size—The Modern Malthusian Problem

The preceding pages have tried to show that most contemporary social problems seem to be problems of social size. This does not mean that problems such as brutality, socialist domination of individual existence, or cyclical fluctuations, may not also be caused by personal disposition, ideological zeal, or economic system. They may. And to the extent that they are, they can be solved at their own level, through the repression of the brutal, the conversion of the socialists, or the socialization of the unconverted. But what really concerns our age is no longer so much the particular nature of problems as their scale. And their scale, as we have seen, is a function not of education, philosophy, or system, but of the size of the community which they affect.

Thus, what the preceding pages have actually tried to present is an interpretation of history in which the chief influence on historic change,

[3]Harry Schwartz. *Russia's Soviet Economy*. New York: Prentice-Hall, 1950. p. 337.

which Marx assigns to the mode of production, is assigned to social size. At optimum limits, this is of minor significance. But beyond it, the same principle begins to affect the relationship between human talent and problems of size which Thomas Malthus attributes to the relationship between food supply and population. For once a social organism grows beyond optimum limits, the problems of size multiply at a geometric ratio while the human ability to cope with them seems to increase only at an arithmetic ratio—and even this only up to a point. No doctorate, no university education, no pattern of organization can then compensate for the pace with which the problems of size out-distance man's effort to catch up with them. Nor can any measure of human control, whether suggested by Marx or by Keynes, offer a solution for problems which have arisen precisely because the organism of which they are part has outgrown all human control.

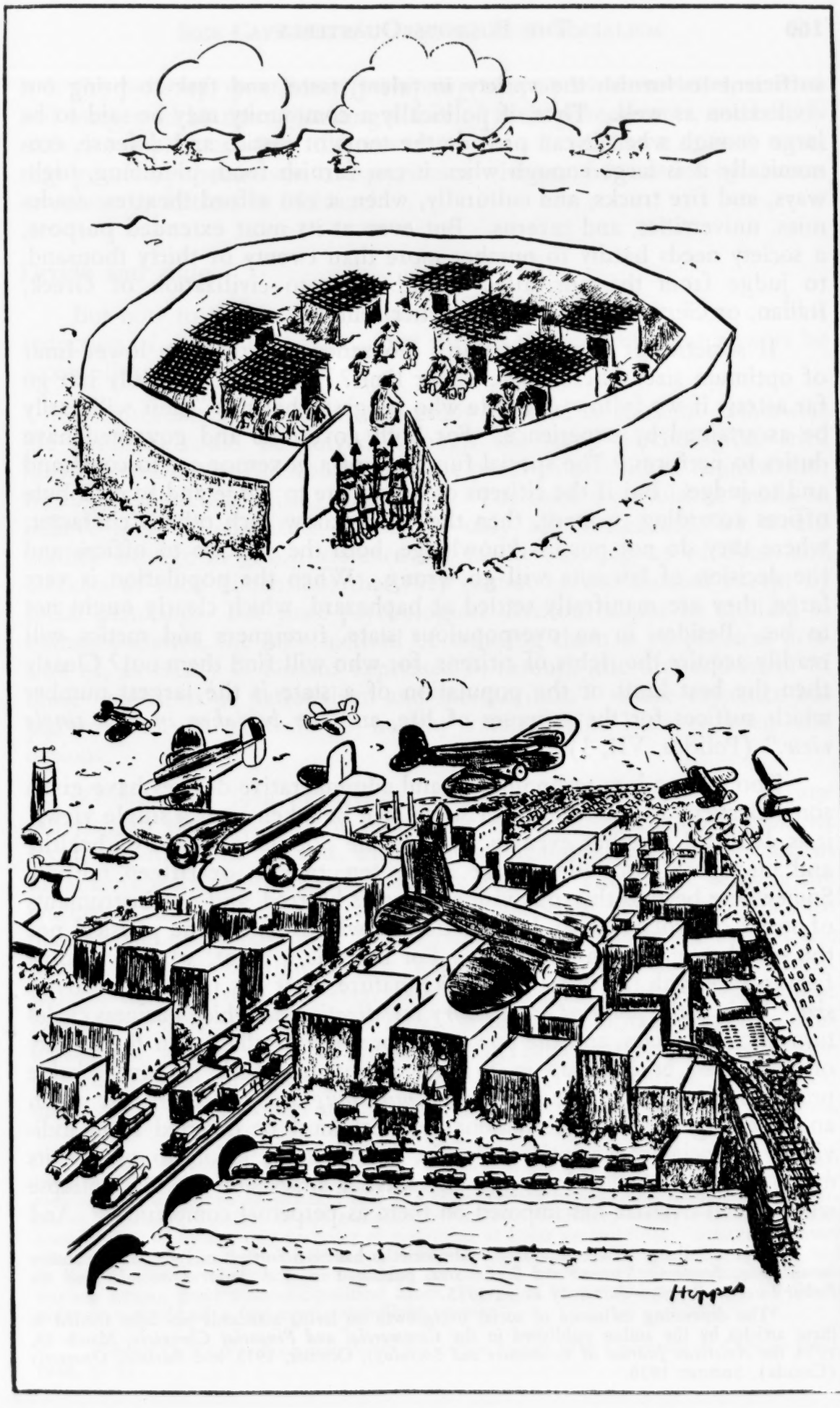
Disunion Now Solution

The principal problem thus being one of scale, its solution must logically lie in the opposite direction from the now fashionable trend—in the restoration of optimum social size. Instead of advancing on the the road of economic integration and political unification which, along with the size of the world's already overgrown social units, magnifies also their problems, we must retrace our steps. Not Union but *Disunion Now* appears to hold the key to a future of manageable proportions. And proportions are manageable only if society is adjusted to man, not man to society. For *man,* not society, *is the measure of all things.*

Two questions must, however, be answered if this analysis is to produce practical benefits. One is: What exactly is optimum size? The other: How can overgrown societies be reduced to optimum limits?

Optimum social size having both a lower and an upper limit, the answer to the first question falls into two parts. One deals with the social size best suited to the furthering of individual ends. This gives us a clue as to the lower limit of optimum size. The other deals with the magnitude which has previously been referred to as *critical* social size, the size at which social complexities assume proportions defying control. This gives us a clue as to the upper limit of optimum size.

The lower limit depends on what we expect of society. If we desire no more than political stability, a community numbering fewer than a hundred members may conceivably be already large enough to meet our requirements. For any group capable of forming a village, can form both a stable and a sovereign society. A country such as Andorra, with a present population of less than seven thousand, has led a perfectly healthy life since the time of Charlemagne. However, a community is normally expected to fulfill also economic and cultural purposes. While it may produce an ideal democracy at its smallest density, this is not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sufficient to furnish the variety in talent, taste, and task to bring out civilization as well. Thus, if politically a community may be said to be large enough when it can provide the tools of justice and defense, economically it is large enough when it can furnish food, plumbing, highways, and fire trucks, and culturally, when it can afford theatres, academies, universities, and taverns. But even at its most extended purpose, a society needs hardly to number more than twenty or thirty thousand, to judge from the unrivalled contributions to civilization of Greek, Italian, or German city states of earlier centuries.

If societies of twenty or thirty thousand constitute the lower limit of optimum size, where is the upper limit? We shall probably not go far astray, if we follow Aristotle who suggests that this "limit will easily be ascertained by experience. For both governors and governed have duties to perform. The special functions of a governor are to command and to judge. But if the citizens of a state are to judge and to distribute offices according to merit, then they must know each other's character; where they do not possess knowledge, both the election to offices and the decision of lawsuits will go wrong. When the population is very large, they are manifestly settled at haphazard, which clearly ought not to be. Besides, in an overpopulous state, foreigners and metics will readily acquire the rights of citizens, for who will find them out? Clearly then the best limit of the population of a state is the largest number which suffices for the purposes of life, and *can be taken in at a single view.*" (Politica, VII, 3).

Though modern technological and administrative devices have given some elasticity to the concept of what "can be taken in at a single view," it is doubtful whether even in our age the population limit of healthy and manageable societies is far above ten, twelve, or fifteen million. Somewhere beyond this, our vision becomes blurred, and our instruments of social control begin to develop defects which neither the physical nor the social sciences can surmount. For there is a point, when we come face to face with the instability which nature itself has imposed on oversize. This is the *point of compulsory socialization,* at which business cycles turn into size cycles, and the power of government rather than the dignity of man must be built up in a futile attempt to check the uncheckable problems of scale.[4] It is the *point of diminishing living standards,* at which an increasing share of the national product must be diverted from individual to social consumption to assist society in its effort to protect its members from the double danger of external attack and internal collapse which social oversize has imposed on them as perpetual companions.[5] And

[4]The socializing influence of large-scale societies has been further analyzed by the author in an essay, *Economic Systems and Social Size,* published in: R.A. Solo: *Economics and the Public Interest.* Rutgers University Press, 1955.

[5]The depressing influence of social overgrowth on living standards has been treated in three articles by the author published in the *Commercial and Financial Chronicle,* March 18, 1954, the *American Journal of Economics and Sociology,* October, 1955, and *Business Quarterly* (Canada), Summer 1956.

it is the *point of spontaneously erupting war,* at which societies, unified and integrated by the organizing effort of their governments, reach such critical compactness that, like uranium when it reaches a critical mass, they go off by themselves, irrespective of whether they are led by sinners or saints, by Hitlers or Nehrus.[6]

Divide and Rule

But now to the second and most important question. How could a reduction of overgrown social units such as the world's great powers be accomplished?

Unfortunately men are not as easily handled as chicken. Otherwise the problem could be solved through the same psychological trick through which Mr. Harwood ended the problem of chicken cannibalism: through spectacles limiting our vision. For once we could be made to believe that we constitute nations of only sub-critical size, we would neither indulge in group violence nor in the building up of firms and markets of such dimensions that they cannot be coordinated except by social planning. But since psychological division cannot be applied to human societies, the only method of reducing them is by physical division or, as Henry C. Simons expressed it, through the dismantlement of those "monsters of nationalism and mercantilism"[7] whose existence has proved such an obstacle to healthy relationships between men and nations.

Though the idea of division seems highly unrealistic in an age glorying in the greatness of bigness, it is the only sound principle of social organization. In fact, since time immemorial, the most successful organizers were not the unifiers but the dividers. The device keeping the empire of the Persians intact was the division of their conquests into manageable small *satrapies.* The Roman empire was based not on the power of its legions but on the weakness of its dismembered national groups, the *provinces.* It even gave the principle its classic expression: *Divide and Rule,* not *Unite and Rule.* When Great Britain came into existence, she wisely refrained from uniting such unruly nations as the English, Scotch, and Welsh. Though leaving their names, as political units she destroyed them by dividing them into a host of small *counties.*

[6]Henry C. Simons, in his *Economic Policy for a Free Society* (University of Chicago Press, 1948, p. 21), has given an excellent summary of the connection between large-scale societies and war when he writes: "War is a collectivizing process, and large-scale collectivism is inherently warlike. If not militarist by national tradition, highly centralized states must become so by the very necessity of sustaining at home an inordinate, 'unnatural' power concentration, by the threat of their governmental mobilization as felt by other nations, and by their almost inevitable transformation of commercial intercourse into organized economic warfare among great economic-political blocs. There can be no real peace or solid world order in a world of a few great, centralized powers."

[7]Henry C. Simons. *Economic Policy for a Free Society.* The University of Chicago Press, 1948, p. 21.

And even the organizational success of the United States is due to the fact that she is actually a *Disunited States*. The flourishing enterprise of 48 pliable small states would obviously be impossible to handle if it were composed of 4 or 5 veto wielding great powers.

Thus, far from being unpractical, division is such a fundamental principle of organization that even unifiers must apply it if they are to succeed. However, the purpose of this argument is not to suggest division for the sake of union, but division for the sake of division. And it is this aspect which seems to remove the device as a useful instrument for restoring optimum size to societies most in need of it, the great powers. For, whatever its merit, you cannot turn back the clock.

Yet, division can be applied even here, just as the clock can, of course, be turned back, perhaps not by statesmen, but by everyone owning a clock. And the device is the more realistic as it need not be applied in the extreme sense of entailing the actual *dismemberment* of great powers. It is sufficient if it is applied in the less radical and infinitely more acceptable form of *decentralization*. In fact, in this mellower variation it commands a considerable degree of emotional support even within the great powers themselves. Economically, this is illustrated in two ways. One is the restoration to practice of the principle that business, like the medieval manor, can profitably be divided into a number of smaller estates without affecting the unity of ownership. The other is the renewed awareness that smaller business units are actually more capitalistic in character, individually often more profitable, socially always more satisfying and, above all, cyclically more resistant than large centralized enterprises.[8] And politically, it is illustrated by such popular movements as state-rightism in the United States, or the many regional nationalisms of Great Britain, France, Germany, Italy, Spain, or Russia, flourishing to this day in spite of the unifying pressures of centuries.

The carving out of social units of optimum size seems therefore to require hardly more than the strengthening of local autonomies by federalizing the structure of the increasingly centralized great powers along the ancient but still existing boundaries of their component historic regions. This accomplished, the worst of our contemporary social problems could once more be brought within the reach of solution by the translation of their national into a local scale. But in addition, the return of social power to the local scene from which the unifiers have purloined it, could satisfy indirectly even those glorying somewhat irrationally in the vision of still greater union. For, to quote Professor Simons again: "A great virtue of extreme federalism or decentralization in great nations is that it facilitates their extension toward world organization

[8]For supporting data see: David Cushman Coyle: *Day of Judgement*. New York: Harper Bros., 1949, p. 116. Louis D. Brandeis: *The Curse of Bigness*. New York: The Viking Press, 1935. Temporary National Economic Committee: Monographs No. 13 and 21, Washington Government Printing Office, 1940 s1941.

or their easy absorption into still larger federations. If central governments were, as they should be, largely repositories of unexercised powers, held simply to prevent their exercise by constituent units of extragovernmental organizations, then supranational organization would be easy if not almost gratuitous. Indeed, such great-nation decentralization or deorganization is both end and means of international organization."[9]

Utilizing the grassroot popularity of the idea of regional autonomy, the obstacles in the way of a resolution of overgrown social units to optimum size seems thus neither theoretically, nor practically, nor ideologically insurmountable. Even Soviet Russia has abandoned her original ideal of total centralization after, at last, it dawned on her leaders that her biggest problem was not Trotzkyite treason or capitalist intrigue, but "gigantomania". Now she is dismantling her monolithic unity in the very field to which unification had previously promised the greatest rewards: the field of economic organization. As a result, instead of fostering further centralization, she has long begun to recreate a network of old-fashioned self-sufficient regional economies, hoping that, within their limited scale, problems will perhaps again assume proportions which can be mastered by ordinary mortals.[10]

But gigantomania still attaches to Russia's *political* concepts. And not only to Russia's. For like aggressiveness, size cycles, or socialism, gigantomania is just another example of the many problems arising *spontaneously* on the soil of overgrown social units. But if it cannot be solved, it is not because division or decentralization of the overgrown is such a reactionary or fantastic idea. It is because so many diplomats seem to be committed to the myth that you cannot turn back the clock, though few things seem easier than exactly this. Have you ever tried?

[9]Henry C. Simons. op. cit., p. 21.
[10]See Harry Schwartz, op. cit.

Looking Ahead

Looking back at some of our past promises of future articles shows how dangerous are all forecasts and, incidentally, how difficult is the task of the editor. Even though we may have already received a first draft, the article may never make the future issue, or may become so changed both in form and title that it is unrecognisable as the fulfilment of a promise. Often what is promised in the next issue appears only a year later.

However, we are definitely planning a complete change of size, shape, type and format to begin next spring with our twenty-third volume, and if you have suggestions, let us have them please. In the next issue, we hope to present another article introducing a special provincial problem to management and, inter alia, Dr. David Leighton writes on "Motivation Research in Canada" and Dr. Donald Thain on "Salesmen's Compensation."

QUEBEC-

What Management Should Know

Rene Genest, Guy Laurin, Guy LeBlanc

ACCORDING to the 1951 census, 3,327,000, or 82.0 per cent of the 4,056,000 people living in the province of Quebec, were French-speaking. Concretely then, Quebec means French Canada. The province has undergone rapid industrialization during the last 50 years, but the French-Canadian still retains a distinctive way of life, the main elements of which are the Roman Catholic religion, the French language, and an attachment for the past.

It is essential that the businessman operating or selling in Quebec clearly comprehend the differences between Quebec and the other provinces of Canada which arise from this distinctive way of life. Failure to recognize and allow for such differences can be disastrous.

In this article, the authors will attempt to highlight the unique features of French Canada with respect to attitudes towards business life, the Quebec labourer, labour unions, wage levels, finance and investment, and marketing to the Quebec consumer.

Attitudes Towards Business

Traditionally, the management profession has ranked relatively low on the social scale in Quebec, particularly in relation to the professions of law and medicine. French-Canadians fill only a relatively small number of the management jobs in firms operating in Quebec.

As far as formal organization is concerned, the organization of a Quebec company need not differ in any way from that of a company anywhere else. Its management, however, should devote serious consideration to integrating French-Canadians into the organizational struc-

ture at the top, as well as at the middle, management levels. Actually, this has been a firm policy of many companies operating in Quebec. In so doing, they allow their own people to gain a better understanding of the French-Canadian milieu, and they secure more harmonious relationships with their customers and with the public at large. On the other hand, the surprising fact is that the enforcement of this policy often meets with widespread reluctance on the part of the French-Canadians to work for big business, or even to be promoted once they have joined a company. French-Canadians account for less than 20 per cent of the executive force of the country, and their representation is still lower in the functional fields of larger businesses, such as finance, sales and manufacturing. As far as university graduates alone are concerned, only three per cent of the total 3,300 engineers graduating from Canadian universities in 1949 were of French-Canadian origin. Even in Quebec, French-Canadian engineers represent only about 25 per cent. The French-Canadians are not yet used to that feature of modern business which requires them to move from one plant to another, from one city to another, and even from one country to another. They are just beginning to attribute to the economic professions some of the same social prestige they have long given the older professions of law and medicine.

The French-Canadian Worker

Two basic facts about the French-Canadian worker are of interest to Quebec companies, especially those engaged in manufacturing and in service organizations. The first one concerns the output of the French-Canadian worker, and tends to contradict the widely-held opinion that the Quebec worker is considerably less efficient than his Canadian counterpart. Statistical data show that the output per man-hour per industrial worker has risen, on an average, by 3¼ per cent per annum in Canada over the last 40 years, but that, because of the decline in hours worked, the output per man-year has risen by only two per cent. Comparable average increases for Quebec are three per cent per man-hour and 1½ per cent per man-year. The reason for the difference lies mainly in the industrial structure of the province, which combines mass-production industries requiring a large labour force in relation to the value of the products. In textiles, for example, 57 per cent of Canadian production comes from Quebec. Other leaders include leather (59%), and tobacco (87%). Moreover, availability of a large reserve of female workers has encouraged the growth of light manufacturing companies. Even though there has been a tendency towards equalization of pay for men and women, some differentiation still exists and this again, being reflected in the gross value of the final products, tends to distort figures on the French-Canadian worker's productivity.

A second fact about the French-Canadian worker concerns the occasional scarcity of skilled labour. Major improvements have taken place

within the last 15 years in training French-Canadians as specialists for the major industries of the province. A number of industrial schools have been established including: the textile school in St. Hyacinthe, the paper-making school in Three Rivers, the furniture school in Montreal, the forestry school in Quebec, the mining school in Rouyn and numerous schools of fine arts, or, of arts and trades. Nonetheless, the pace of industrialization in the province has been much faster than the output these schools could provide. Consequently, some companies looking for expansion or contemplating location in Quebec face an acute shortage of skilled labour. To them, the alternative solutions are to import specialists from outside—immigrants for instance—or to devote the necessary time and money to train their own working force.

Quebec Labour Unions

In Quebec, approximately one-third of the non-agricultural workers are unionized; this proportion is about the same as in the other parts of Canada. However, it is significant that 100,000 (35 per cent) of the unionized workers in Quebec belong to a special federation, the Canadian and Catholic Confederation of Labour (C.C.C.L.). The Catholic Syndicates, as they are commonly referred to, were originally established in Quebec after the First World War, under Church sponsorship, to follow the suggestions of papal directives towards grouping the Catholic workers of the whole country and protecting their "political, economic, patriotic and religious interests." They were concentrated in Quebec and, from the beginning, gathered workers along denominational and ethnic lines. Historically, it has been a movement whose leadership has come from the top, through chaplains and clerical organizers. Most often, the Catholic Syndicates have been close equivalents of company unions. Whenever an important conflict arose between a company and a syndicate, the informal pattern of reaching a solution, notwithstanding the formal procedure stated by the written law, involved personal negotiations between the representatives of the Church, management and government.

Geographically, the strongholds of the C.C.C.L. are located in the regions of Chicoutimi, Quebec, Shawinigan and St. Hyacinthe. In the city of Montreal, it displays a considerable weakness, both in members and in number of locals.

On the professional level, the C.C.C.L. is now strongly represented in the following industries: asbestos mines, pulp and paper, textile, worked wood, shoes, stockings, metallurgy, hospital services and municipalities. In certain regions, the construction industry should be added.

Compared with the Canadian Labour Congress, which presents a united labour front of more than 1,000,000 workers throughout Canada, the C.C.C.L. is a small labour union. But in Quebec it groups one-third

of the unionized workers and, for numerous reasons, is generally recognized as the most dynamic union. Since most of its effective forces are situated within the Province, agreements are primarily negotiated according to the laws of Quebec, and most of the time in the presence of the ultimate employers. The C.C.C.L. heads, having less to do with labour relations problems on national or political levels, tend to concentrate on the provincial domain. The C.C.C.L. also bears syndical characteristics highly adapted to the customs of its immediate surroundings. And last but far from least, in recent years, this group has been headed by men who are remarkably well trained in economic and social problems.

Catholic Syndicates were long considered almost as religious organizations. Now, chaplains tend to be merely advisers or moral counsellors. In many cases, the word "Catholic" has disappeared from the name of the Syndicates and their activities are restricted to professional, not nationalistic or clerical, interests. Because of pressure created by locals, by customs in collective transaction, and by legislation, the constitution of the C.C.C.L. was amended in the late thirties to permit the admission of Protestants as non-associated members, without the right to become officers. Since 1943, all religious discrimination has disappeared and any non-Catholic can become a member or even an officer of the C.C.C.L. The only condition is conformity to the established constitution and by-laws. Presently, the C.C.C.L. is merely a socio-economic group.

Wage Levels in Quebec

In 1954, the Canadian Congress of Labour proposed an objective study of the differences in salaries and wages between Quebec and Ontario. A summary of the survey, published in various French newspapers in Quebec and Montreal, had a significant sub-title—"A Deficit of $200 Millions." Its first sentence read: "It is the sum the French-Canadian people are losing yearly because their wages are lower than Ontario workers." The following tables show how, according to the survey, Quebec and Ontario wages compared during the period 1946-1953.

Average of Hourly Wages in Manufacturing Industries
For Quebec and Ontario 1946-53

Year	Quebec	Ontario	Ontario over Quebec		
1946	64.4c	72.2c	7.8c	or	12.1%
1947	72.7	84.2	11.5		15.8
1948	82.8	95.8	13.0		15.7
1949	89.5	103.3	13.8		15.4
1950	92.9	109.4	16.5		17.8
1951	104.5	123.7	19.2		18.4
1952	115.5	137.0	21.5		18.6
1953	121.9	143.4	21.5		17.6

The average hourly wage of the Ontario worker has thus been considerably higher than the wage for Quebec workers. From 1946 to 1953, the difference has almost tripled; the increase of the margin had been almost steady, except for 1949 and 1953.

Average Weekly Wages in Manufacturing Industries
For Quebec and Ontario 1946-53

Year	Quebec	Ontario	Ontario over Quebec	
1946	$ 28.72	$ 30.04	$ 1.32	or 4.6%
1947	32.13	35.20	3.07	9.6
1948	36.18	39.76	3.58	9.9
1949	39.11	43.18	4.07	10.4
1950	40.88	45.84	4.96	12.1
1951	45.46	51.09	5.63	12.4
1952	49.67	56.03	6.36	12.8
1953	52.05	58.65	6.60	12.7

The trend of the weekly wages has differed somewhat from that of the hourly wages. Variations in the weekly working hours in both provinces are partly responsible.

The C.C.L.'s survey established comparisons for each of the most important manufacturing industries. In most of them, the relative inferiority of Quebec wages was carried on through 1953. Except for the shoe industry, in 10 typical industries studied, the differences between Quebec and Ontario wages have been accentuated.

One interesting outcome of the survey is that it marked a definite transition in workers' claims. The Canadian Congress of Labour, jointly with the C.C.C.L., published its findings in French and English and distributed them widely among workers. Frequently since that time newspapers have reported new agreements which make Quebec wages equal to those in Ontario. Recently, for instance, Dow Brewery Company signed a labour agreement acknowledging the similarity of wages for its establishments in Quebec and in Ontario. In the Pulp and Paper Industry, the international unions now sign labour agreements fixing equal wages for Quebec and Ontario; a recent contract stipulated an hourly minimum basic wage of $1.65 to $1.75. Mention should be made also of several large companies who pay the same salaries in Quebec and Ontario; to name a few: Canadian Industries Limited, Aluminum Company, Bell Telephone Company and the two railroads.

This trend is significant; it means that in the future the management of industries with branches in the Province of Quebec should not expect as much saving in labour costs in that province as has often been the case in the past.

Finance and Investment

In the financial field, Quebec presents unique features in the areas of government legislation, the influence of the "Caisses Populaires" (credit unions) and the attitude of the population toward investment.

Quebec has a legislative system of its own with regard to taxes, grants or privileges for industrial development, brokerage procedures and other matters affecting the financing of corporations. Broadly speaking, the system is successfully adapted to the industrialization of the province and compares favourably with that of the most industrialized Canadian provinces.

One factor which has complicated the picture for firms doing business in Quebec has been the provincial corporation income tax. For a number of years, Quebec was the only province levying such a tax, but Ontario has recently announced that it too is entering this field. What made the situation particularly difficult was that for some years Quebec used different bases for the computation of tax than did the Federal Government, necessitating the keeping of two sets of records for tax purposes . Recent word is that Quebec has rectified most of these difficulties by adopting procedures consistent with those used by federal tax authorities. Suffice it to say that the tax problems arising from doing business in Quebec are sufficiently complex that the firm contemplating entry into Quebec would be well advised to consult a competent tax authority at an early stage in its investigations.

Quebec, of course, operates under the Canadian financial system: dollar currency, the Bank of Canada as central bank, the chartered banks, etc. There is one source of credit however, which is almost unique in Quebec and which, because of its phenomenal growth from modest beginnings in 1900, constitutes a well-integrated feature of the French-speaking communities. This is the Caisse Populaire, or local credit union. Today, with the total assets of $500,000,000, the Caisses Populaires offer easier and less expensive credit facilities than many regular financial institutions. As such they do not necessarily present specific advantages to the Quebec businessman in search of short- or long-term loans, since their primary purpose is to lend money to individuals for home building, farm or domestic repairs. The significant fact as far as management is concerned, is that the Caisses Populaires have been, and still are, highly influential in instilling in the French-Canadian population the traditional notions of thrift, saving and sound usage of money. The French-Canadian still likes to pay cash, and, if involved in instalment plans, shows a deep respect for his obligations. Accordingly, management is likely to be less concerned in Quebec than elsewhere with problems such as collection of accounts, bad debts and legal procedures.

The same traits of thrift and conservatism about money have their counterpart in the investment field. The result is that the French-

Canadian does not tend to invest heavily in commercial or industrial concerns. This is a traditional attitude which has been strengthened in recent decades by the heavy losses suffered by farmers, workers and middle-income people in the depression of the thirties. Since then, secure investments such as first mortgages and government, municipal or school commission bonds have had much more appeal to the people than industrial securities. More recently a reversal in this trend has been noted, but it remains difficult for a Quebec company to raise capital locally.

Marketing to the Quebec Consumer

There are over 4,000,000 people living within the boundaries of Quebec or about one-quarter of the Canadian consuming public. Quebec contains the largest single metropolitan concentration of population, the Montreal market, and with its outside areas, offers the second largest *provincial* concentration of population in the whole of Canada.

This province is no longer basically rural, and the previous lack of communications no longer exists. The French-Canadian, both in the city and on the farm, is well supplied with conveniences and amenities.

Percentage of Homes Having Radios, Telephones
Motor Cars in Canada—and in Quebec

	Canada %	Quebec %
Radios	91	94
Telephone	59	58
Motor Cars	41	27

D.B.S. 1951

The metropolitan concentration has been steadily increasing; and now, close to four-fifths of the population is readily accessibly through regular retail outlets and subject to the influence of mass media such as newspapers, magazines, radio, and television.

Advertising in Quebec

The Quebec market, with its potential of 4,000,000 people, is not to be regarded lightly by any firm operating in Canada. It is a specialized market; it has a homogeneity more pronounced than that of any other section of the Canadian market. To be wholly successful in this market, advertisers must be fully aware of its characteristics, because the form and spirit of their advertising appeals to the French-Canadian must take account of these differences.

Management often tends to say: "Quebec is too slow to accept a new product", or "Quebec has a strong loyalty to an accepted product" and will consequently direct its advertising toward other areas. But this

is a self-defeating attitude. The French market is *different, not odd.* If less advertising is spent on it, of course it will be slower to accept a new product. Note the following statistics on advertising dollars per thousand population:

Average per Commodity Group (14 groups)	Quebec	Canada
	$47	$75

This so-called conservatism and brand loyalty is, in our opinion, the direct result of poor and inadequate advertising. The French-speaking Canadian can be reached as effectively as anyone else by soundly conceived and executed advertising programs.

Brand loyalty does not run so deep in Quebec that it is impossible or even very difficult to dislodge the market leader. In the authors' opinion, this popular misconception has shielded weak management and inefficiency for quite some time. Aggressive and imaginative marketing men are continually proving this argument wrong by successfully introducing new products.

French-Canadians have a different background, a different mentality, a different temperament. The advertiser must remember that French-Canadians speak, write, read and *think* in a different language. But the matter goes even deeper than this. The language difference also involves differences in habits of thought, of attitudes, metaphors and associations. This means that certain English expressions, allusions, turns of phrases, kinds of humour and ways of looking at the world are foreign to the French-speaking Canadian. It follows therefore, that a good advertisement written in English can seldom be directly translated into French for Quebec readers or listeners.

Thus, advertising which will get across powerfully to French-Canadians must be written for them, by someone who understands not only the general psychology of good advertising, but also the general psychology of the French people. Not only should appeals and copy take this into account, but the media usage may be different as well. Quebec has its own French-language daily press, weekly and monthly newspapers, magazines, books, pamphlets and circulars. Signs, posters and street car cards appear in French; radio and television broadcasts are in French. All these facts are important to the advertiser selling in Quebec.

Selling in Quebec

In Quebec the salesman has to be more than bilingual. He has to know the French-Canadian, know his weaknesses and his strong points. He must learn to respect and utilize these aspects of the French-Canadian character. In so doing, he will make some interesting discoveries; for instance:

a) the people are highly receptive to "stamps", "coupons", and other promotional devices;

b) the French-Canadian has a high repayment record on debts;

c) he sticks to the tradition of cash buying.

For the firm selling in Quebec, a French-speaking sales force would be highly advantageous. Such a group can develop stronger contacts and better relations. It can show more understanding towards specific problems. It can be the link between management and consumers. It can mean *acceptance* instead of acknowledgment of a new product.

With regard to buying motives, the French are by and large conservative in spirit, loyal to their own conceptions of right and wrong, and immune to the flashier types of appeal based on sex, fear and forcefulness. This is partly due to their religious background, as mentioned earlier. The French conservatism and thrift make him more receptive to rational advertising, but he is not by any means immune to emotional advertising.

Conclusion

French Canada has many unique characteristics. Some of them identify themselves with religion, language, traditions. They will exist indefinitely. Others, such as the attitude of the French-Canadian toward the business life, toward investment or toward unions, have developed only because the industrialization process has hit Quebec later than the rest of the North American continent, and because it has come from outside. The differences in this category are bound to disappear sooner or later.

French-Canada of today is a society in transition. It is gradually incorporating the technology, the labour system and the financial or social institutions which characterize modern industrialism. In the final stage of this revolution, French-Canada will still retain certain basic attitudes towards life, but the businessman who deals with it will not find it sensibly different from any other Canadian society.

FORTY PLUS . . .

and healthy

Michael S. Yuhasz

EXECUTIVE health maintenance by periodic medical examinations is a fairly common practice in major business firms today. *The Wall Street Journal* in April, 1956, estimated that 800 companies had adopted executive health programs providing for periodic health check-ups, and the number is growing steadily. To say that executive health is valuable is an understatement. It has been estimated that a company has $400,000 invested in a man hired at 25 and promoted through the firm to a middle management position to retirement at age 65.

Dr. G. E. Hobbs in his article, "Executive Health Maintenance"[1], points out the contributions which can be made by medicine to the health status of business executives. Insurance mortality statistics associated with over-weight and consumption of tobacco and alcohol are forcefully indicated. The effects that stress and tension have on the individual health status of business executives is discussed.

Health examinations alone will not make any man fit. The individual determines his health status to a great degree by the manner in which he lives. The medical examination is primarily used for the early diagnosis of disease. The general suggestions that concern health maintenance which are usually given with the thorough medical examination should provide the incentive to proper health maintenance.

[1]*Business Quarterly,* April, 1952.

What Is Fitness?

Physical fitness presumes medical fitness, that is, freedom from disease and the ability to pass the usual medical examination. This may be termed the minimum physical fitness level. The top level of physical fitness may be exemplified by the Olympic mile champion, who has physically conditioned his body by repeated performances of strength, speed and endurance activities to a point where he has affected personal physique and organic changes. He has a superior cardiovascular respiratory system, that works efficiently over long periods of time without diminished results and with minimum after-effects.

Somewhere between these two levels lies the optimum physical fitness level for all individuals to perform their routine work activities. The business executive, of course, need not and will not have the physical fitness of a young college athlete. It can certainly be said that a certain physical fitness level is demanded of an executive, and in all cases an improvement in fitness will contribute to increased work efficiency. The effects of an exercise training program are many and varied. Adult physical fitness research has indicated the lowering of blood pressures and pulse rates in the quiet sitting state and in recovery from mild exercises. There is a general improvement in blood flow. Many of the signs of physiological ageing are improved. Improved flexibility is gained. Good balance and agility may be recovered. There are definite strength increments and fat reductions. Even though the executive's work may not appear to place a demand on his physical resources, we can safely say that if physical activity merely makes the individual feel better generally, that individual will work better.

Physical Fitness Tests

Physical fitness, a phase of total fitness, may be differentiated from emotional fitness and mental fitness in that it pertains to the physical condition of the body. Generally defined, physical fitness is the capacity to work hard and relatively long without undue fatigue and serious after-effect. Physical fitness is measured in three ways: (1) Appraisal of body physique which is exemplified by healthy and robust apprearance, muscle and fat. (2) Appraisal of organic efficiency or cardiovascular-respiratory functions, that is the physiologic reactions of individuals in physical

1.

TAKE IT EASY AFTER FORTY

EXERCISE IS NECESSARY
FOR THE HEART'S SAKE

2.

EAT PLENTY OF GOOD,
WHOLESOME FOOD

MOST OF OUR TROUBLES ARE
CAUSED BY OVER-EATING

3.

GET PLENTY OF SOUND SLEEP

WE SLEEP OUR LIVES AWAY

4.

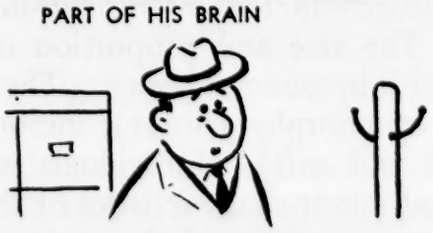
WONDER DRUGS ARE INVALUABLE
IN TREATING DISEASES

WATCH OUT FOR AFTER-EFFECTS
OF WONDER DRUGS

5.

DON'T INVITE MENTAL FATIGUE

MAN EMPLOYS BUT A SMALL
PART OF HIS BRAIN



6.

FINALLY, DON'T WORRY
ABOUT THINGS

Hoppes

performaces. (3) Appraisal of motor fitness—the abilities which constitute performance in the fundamental body movements of running, jumping, kicking, throwing, climbing, catching, and vaulting.

The proportions of bone, muscle and fat in a person are important. Since the skeletal framework of the body is stable, comparisons of muscle and fat are made to the height and widths of the skeleton. Enough muscular tissue is needed to handle the bony framework of the body in the routine body movements. Total body weight in itself is insignificant. The critical measure is the amount of adipose tissue. We need some fat to act as an insulator, to help regulate and maintain normal body temperature and to serve as reserve body fuel. Amounts greater than this merely add to our carrying burden and provide extra work for our cardiovascular system. The lower life expectancy for the "fat" man has often been quoted by the life insurance companies.

A tissue symmetry analysis measures length, breadth of bone and breadth and girth of muscle. These are combined with external fat measurements for a body weight prediction. The Physical Education Measurement Laboratory at the University of Western Ontario has employed this technique with adult men's groups for individual weight control guidance.

Body proportions are important measures in the various sports. Broad shouldered men with light legs and small pelves are typically good gymnasts. The swimmer, especially at the longer distances, is more buoyant and floats near horizontal. The thrower has strong and long arms compared to his height. The jumper has long lower legs compared to his total leg length or to his upper leg length. The feminine body build with narrow shoulders and broad hips is a disadvantage in running, jumping and gymnastic events.

A great number of studies indicate that constitutional body type is an approach in the interpretation of health and personality characteristics. The size and proportion of the body is measured by a judged index, or by somatotyping. The three components of the rating are called ectomorphy (linear), mesomorphy (muscular), and endomorphy (round and soft). Individuals exhibit a build predominantly of one type and minor characteristics of the other two components. The general health expectations of the endomorph, the extremely ponderous, soft-fleshed type, make them unusually susceptible to many of the serious organic diseases such as heart disorders and high blood pressure. The active linear types (ectomorphs) seem to have more than average immunity to chronic organic disease. They should take precautions against upper respiratory tract infections and in respect to adequate diet for health. The mesomorphs with firm muscular development are relatively more energetic and healthy, and are capable of hard physical work. They have a tendency to become overweight in later life, especially the former

athletes who have not altered their dietary intakes after cessation of an extremely active sports life.

The measurements which are used to estimate the nature and efficiency of circulation and respiration are blood pressure, pulse rate, vital capacity, oxygen consumption, basal metabolic rate, and cardiac output. A few simple performance measures are available to judge the efficiency of the circulatory-respiratory function. These are of limited value, although laboratory methods are more conclusive and exact. In the five-minute step test, the pulse rates are taken in recovery from a fairly vigorous exercise, and in the Progressive Pulse Ratio Test, the pulse-rate responses to various rates of stepping are recorded. These are two of the common performance tests used to measure the circulatory-respiratory exercise reactions.

The Motor Fitness tests are the most practical series of tests for the appraisal of the fundamental big muscle movements. The component parts of motor fitness are balance, flexibility, agility, strength, power, endurance, speed, accuracy and co-ordination. The Western Motor Fitness Test[2] provides a fairly good appraisal of any individual's motor fitness.

Causes of Unfitness

There is a progressive decline in the physical fitness of men from 30 years of age. Some of the contributing causes today, especially in the professional, and office-working class would be:

(1) Sedentary living, desk work, spectator sports, automotive transportation, television and movies all contribute to physical deterioration.

(2) Lack of recreation and play. The lack of active bodily movement in games or physically-stimulating activity goes hand in hand with sedentary living.

(3) Overindulgence in smoking and in drinking.

(4) Overindulgence in high-caloried foods and fried foods, lack of a proper, regulated diet.

(5) Mental anxiety, stress and tension.

(6) Lack of a positive plan of stimulating physical conditioning activities.

Unfitness is readily discernible in those individuals who are overweight. Even in mild routine work or play, great increases in respira-

[2]Composed of the following items: Stork Stand, Sit and Reach forward flexibility, Agility Run, Standing Broad Jump, Chinning the Bar, 60 and 600 yard runs.

tion and circulation may result. Static fatigue, which is brought about by boredom, can be relieved by a change of the usual work program. The Mayo Clinic reported in 1942 that static fatigue is seldom relieved by rest and sleep, but is usually relieved by physical exertion. Passive exercises, such as massage, and steam baths are often taken by the busy businessman at Health Clubs. The only value of massage is to the masseur. Any weight loss attributable to steam baths is immediately regained upon quenching one's thirst.

The use of vitamins is worthwhile if the normal dietary intake is low; otherwise, it is a waste of money. Overdose supplies of vitamins have been employed to aid physical performances of athletes in competition. No significant improvements attributable to vitamins have been widely observed or accepted.

In the past decade, the idea that there is such a thing as an "athletic heart" has been definitely disproved. The normal heart does not enlarge pathologically due to exercise. Dr. T. K. Cureton, Director of the Physical Fitness Research Laboratory at the University of Illinois, has reported heart-size shrinkage in a number of middle-aged men following a three-month prescribed exercise conditioning program.

Improvement of the Executive's Fitness

The human body cannot be likened to a machine that wears out with usage. The human body is made for use, and the more it is put to use the better it functions. Muscles atrophy with disuse. Improvement in strength is by means of the overload principle. A systematic week-by-week increase of the amount of work performed by the muscles will bring about improvements in muscle tone and in muscle strength. Fat accumulates in the body in a gradual way often quite imperceptibly. The extra intake of food, in terms of calories, above the amount that is used by the body basal metabolic rate and the exercise metabolic rate, is stored as fat. The peripheral fat folds at the umbilicus, over the hip, on the fluteals, and on the thighs can be assessed by fat calipers. A double fold of fat is pinched and measured. If this measure is greater than one inch, the individual should be offered guidance in fat reduction. The externally-measurable fat is estimated at one-half of the total body fat.

A proper reducing diet is considered essential in fat reduction. It is recommended that this fat be reduced at very nearly the same rate at which it accumulated. Although sudden weight losses may inflate the ego, it is not considered medically sound to lose weight too rapidly. Even more important than a reducing diet, a fat reduction program must be coupled with exercise conditioning. In spite of advertising claims, pills or vibratory massage will not help. Recent articles have

indicated that it would take 5,714 push-ups, 11 hours of playing volleyball, or running 43 miles to burn up the 4,340 calories which make up one pound of fat. The reasoning in such articles is fallacious. The method of making these determinations has been to divide the energy cost of running one mile by a 'normal' person into the energy equivalent of one pound of fat. The determination of the oxygen cost transcribed to caloric cost of the exercise has not been computed over a long period of time in recovery from the Mile Run. The after-effects, especially on out-of-condition men, may last for more than one day. A further consideration is that the persistent effect of the exercise has not been computed. Dr. T. K. Cureton has shown that through persistent progressive exercise, the basal metabolic rate of individuals can be raised. It does not necessarily hold that if running one mile will consume 100 calories, that running two consecutive miles will consume 200 calories of energy.

In general, it can be said that graduated, long-continued rhythmic exercises of the swimming or running type, coupled with the reduction of fried foods and consumption of fresh vegetables and fruits, will produce very beneficial and measureable results. A few basic principles for improved fitness are:

1. Yearly health examinations should be sought by all executives over 30 years of age. This would facilitate the early detection of disease and indicate deficiencies in individual fitness.

2. Circulation and respiration can be improved by systematic endurance exercises. The intensity of such exercises should be gradually increased, and continued for several months. Such a program might consist of walking to and from work, walking or jogging two miles or more on the weekend (golf is very satisfactory) complemented, if possible, with distance swimming. Home calisthenic exercises would be a valuable supplement.

3. Muscle tone may be improved by warm-up exercises followed by a cool swim, shower or bath.

4. A reduction of high calorie desserts and fried foods will aid body nutrition and appearance.

5. Scientific research into sleep habits has shown that wide variations exist in the amount of sleep needed by individuals. The criterion of adequate rest is that the individual feel rested and refreshed upon awakening.

6. Once each year, executives should participate in a group physical fitness program for several months. Coupled with this intensive program, they should seek outdoor activities in all seasons of the year. An outdoor, physically-active vacation would provide the mental diversion needed.

7. Moderation in the consumption of alcoholic drinks and in the use of tobacco will aid health maintenance.

8. The specialization and stress of living and working today may have resulted in an unbalanced way of life. A broad appreciation and participation in life has to be sought. Active interest and participation in mental, social, religious, and physical activities will provide this equilibrium.

Physical fitness improvement cannot be easily achieved when it has taken years to ruin. It is never too late, however, to begin a sound program of physical fitness improvement.

Organization Man

"The Organization Man is painstakingly dissected in a book of that title, by William H. Whyte, Jr., assistant managing editor of Fortune magazine. This man, he belives, is danagerous. Whereas the Victorians submitted themselves to what they believed was the will of God, Organization Man submits only to a heaven on earth of his own creation, the organization, from which all dominant figures are banished.

"Organization Man is taking a grip on all phases of life in the United States, according to Mr. Whyte, but it is in business that he has his stronghold and it is through business that he is extending a stranglehold on the schools, the churches and the professions, as well as upon home life.

"Organization Man is the product of modern pseudo science, a creation of the professors of human relations and of the business psychologists, who believe that it is possible to apply the methods of physical science to human analysis and direction. According to them, one can rearrange the parts of human character as surely as particles of matter are re-arranged to produce synthetics . . . .

"Mr. Whyte takes an analytical look at research as it is operated by business and concludes that it is not science at all, just high-level perfection of techniques. For progress, the United States has to borrow from Europe, where unco-operative genius made and still makes the discoveries on which modern industry is founded.

"What disturbs Mr. Whyte very much is that big business, eagerly looking for happy bureaucrats to be recruited and trained into co-operative ways, is driving intellectual activity out of the schools. He gives figures to show that in the United States, universities are becoming vocational schools, largely because grants and donations are ear-marked for specific purposes. Even courses in English are being made strictly utilitarian . . . ."

Fraser Robertson, the Toronto Globe and Mail

CANADIAN CROWN COMPANIES

Gordon A. Cole, Charles B. Johnston,
J. Kevin Power, Arnold O. Saffel

Since the Canadian government is growing in size and exercising more and more control over the economic and social life of Canadians, the development and role of Canadian Crown Companies, or public enterprises, in our society was the subject of special seminar study at the University of Western Ontario. The following article is condensed from the report made to the seminar.

Of major interest to the business man is the growing use of the proprietary or corporate form of Crown Company in Canada today. Financially, organizationally and policy-wise, this type of public ownership is fashioned after private enterprise, with resulting advantages in efficiency and flexibility of operation. The existence and anticipated growth of this form of operation in Canada poses a real and significant challenge for free enterprise management.

IT is no secret that the most serious obstacle to the growth or maintenance of goverment ownership and operation of business enterprises lies in the state of public opinion. In general, public enterprise has been looked upon with suspicion in this country while private enterprise has been regarded, perhaps not always with admiration, but at least with tolerance. Each effort of the government to expand the scope of operations is met with cries of "creeping socialism". Complaints are voiced that government is excluding private enterprise from profit-making

opportunities, that public enterprise is unfair since it may enjoy lower costs or that taxes are used to bail it out when operated at a loss. "After all," it is asked, "has private industry not demonstrated its ability to render satisfactory service at an acceptable price?"

In order to evaluate these remarks, and to assess the place of public enterprise in our essentially free-enterprise society, it is important to understand the history, organization, advantages and disadvantages of Crown Companies.

Of major interest to the business man is the proprietary or corporate type of public enterprise. This form of operation is tailored, in almost every sense, along the lines of private ownership. In the authors' opinion, the advantages reaped in efficiency and flexibility of operation have placed the Crown Companies on a par with equivalent operations administered by private enterprise. As a result, the once-adverse opinion towards Crown corporations is moderating and an increasing use of this type of enterprise by government is in evidence. This, we believe, is the challenge facing private enterprise today.

Origins in United Kingdom and U.S.A.

Crown Companies or publicly-owned enterprises are so called because they represent the corporate or proprietary form of governmental operations. This concept originated in the United Kingdom in the early 1900's, but it was not until the 1930's that the idea gained momentum. Since then it has become one of the most important, yet least understood, innovations in the realm of government operation in the 20th century.

In the United Kingdom, this corporate form of operating agency has been used extensively, particularly since the Labour Party first came to power. As the U.K. government is highly centralized, the tendency has been to give these corporations considerable freedom of action in an attempt to decrease the load on parliament.

In the U.S.A., although the scope of government operations steadily increased during the New Deal and World War II, since 1945 there has been a strong movement to return public enterprise into private hands. War plants worth over $20 billion have been sold at a fraction of their cost, the Reconstruction Finance Corporation (R.F.C.) has been liquidated, synthetic rubber plants have been sold to private interests and the brakes put on public enterprise in electricity. Under the Eisenhower administration this extensive program of reverting public enterprise to private hands has been accelerated, using the Hoover Commission Report as a foundation for its actions.

In many U.S. circles, a feeling has developed that the remaining publicly-owned enterprises have too much independence, and more de-

partmental control is required. This feeling may be explained in part by the greater decentralization of government operation in the U.S.A. than in the United Kingdom.

Experience in Canada

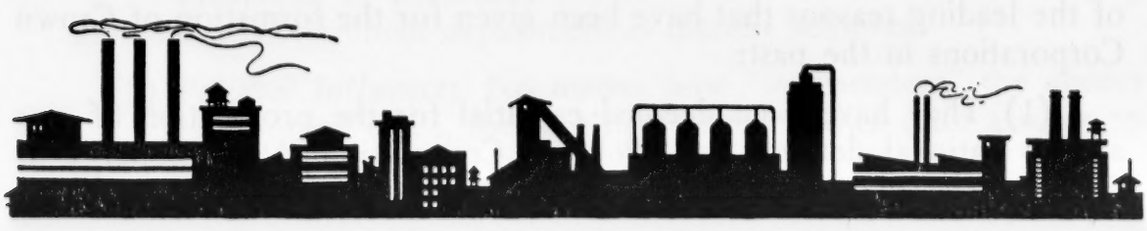
The first Crown-owned Company in Canada, Canadian National Railways, was formed in 1919 because of substantial losses of a number of amalgamated railroads and the necessity of keeping them running in a growing country, where railways were often the only means of transport.

In 1930 the Federal Government renewed its interest in the device of public corporation, largely due to problems arising from the depression; the same reaction occurred to some extent both in the United Kingdom and the U.S.A. Between 1932 and 1938, central banking, radio broadcasting, marketing of wheat, administration of national harbours, and air transport, were brought under public ownership and control in Canada by means of Crown Corporations.

The second world war saw another sharp growth in the number of Crown Corporations in Canada. Under the leadership of the then Munitions and Supply Minister, C. D. Howe, 31 additional Crown Companies were established during the war. These corporations were closely attached to the Government, audited by the Auditor-General, and were really agents of the Crown. By 1946, 26 of these had been liquidated. These companies were created to provide a business-like environment for management who had been temporarily recruited from industry, to provide more flexibility and freedom to expand quickly, and in some instances to maintain secrecy requirements.

As a result of their experience with the Crown Corporations during the Second World War, the Federal Government saw in this device a particularly useful and desirable method of handling many of their enterprises. As a result, there has been a steady increase in the number of these corporations.

In order to regulate and unify the legal and fiscal position of these companies, the Government Companies Operation Act was passed in 1946. This comprehensive statute was broadened by the Financial Administration Act of 1951, which endeavoured to set standard rules and



regulations for Crown Corporations. One significant thing this latter Act did was categorize all Crown Companies into three classifications:

(1) Departmental.
(2) Agency.
(3) Proprietary.

The corporations in existence are shown, together with their year of incorporation in parenthesis, at the end of this article. It is important to note that the degree of Government control tends to vary with the classification in which the corporation has been placed, the departmental ones subject to the most control and the proprietary type the least.

It is of interest to note that the Minister of Defence Production, the Atomic Energy Control Board and the National Research Council all have the privilege of recommending to the Governor-in-Council the incorporation of Crown Companies.

Organization of Crown Companies

A review of the organization chart of the Government of Canada reveals the Ministers to whom these corporations report. The most significant feature is the number and variety of these corporations which report to the Right Hon. C. D. Howe. As Minister of Defence Production he has five reporting to him, and as Minister of Trade and Commerce he has 12, making a total of 17 Corporations, six of which are of the proprietary type. Included among these is Trans-Canada Air Lines, which comes under Trade and Commerce rather than the jurisdiction of the Minister of Transport, as one might expect.

The personal influence of Mr. Howe has been very significant in the history, development and present independent status of the producing or business-type companies. It is generally felt that a change of Cabinet Ministers or political party might well result in changes of ministerial jurisdiction and not necessarily retard the increasing use of this type of organization.

Purposes and Advantages of Incorporation

As a general rule, Crown Corporations have been started to take on new responsibilities of Government rather than old or existing ones. There are exceptions to this, of course, principally Canadian National Railways and the National Harbours Board. The following are some of the leading reasons that have been given for the formation of Crown Corporations in the past:

(1) They have been deemed essential for the prosecution of war and to national defense; e.g., Polymer Corporation, Atomic Energy of Canada Ltd.;

(2) They have been required during period of depression; e.g. Canadian Farm Loan Board;

(3) They have been needed where high costs and great risks ruled out private financing;

(4) They have been established because of the necessity of conserving national resources;

(5) They have been used where there has been a need for regulating bodies; e.g. Canadian Broadcasting Corporation.

Ford P. Hall explains the basic advantage of the Crown Corporation over direct departmental control this way:

"The corporate form of organization has advantages which make it more efficient and more adaptable to the operation of business enterprises than the ordinary administrative bureau or division. Corporations are legal and economic entities because they are independent units; legislatures usually free government corporations from many of the restrictions ordinarily imposed upon other administrative units of government. This is advantageous in that it enables them to operate more efficiently."[1]

Specifically, the following are some of the advantages of this form of organization:

(1) *Financial*: Particularly in the case of business-type corporations, the financial autonomy enables it to retain its own surpluses, shoulder its deficits, if any, and gives the advantage of planning the corporation's own budgets. The advantages of large amounts of share capital, perpetuity, flexibility and limited liability are also offered by the Crown Company.

It should be noted that this independence in the financial field normally applies only to proprietary-type companies which are operating on a profitable basis. If additional funds are required, careful scrutiny of the enterprise could be expected; e.g. Canadian Broadcasting Corporation.

(2) *Personnel*: Since they are not subject to the Civil Service Act, Crown Corporations normally hire their own personnel and establish their own policies with no control from the Civil Service Commission. This advantage is considered to be one of the most important in the eyes of management of a Crown Company, as it places it on the same basis as private enterprise. Flexibility in personnel administration which is often lacking in a government department is thereby achieved.

(3) *Political Influence*: No matter how "independent" the agency is supposed to be, the Ministers of the Crown must assume re-

[1]*Government and Business* (New York: McGraw-Hill, 1949).

sponsibility for the decisions and acts of their agents. It is this situation which creates the real paradox of the Crown Corporations—how can they maintain managerial independence, and at the same time be held responsible to the government for policy decisions? Although Crown Corporations can never completely divorce themselves from political connections, the government has made every effort to give them as much immunity from political influence as possible. In recent years the government has endeavoured to divorce itself from the actual operations of the proprietary corporations and has interested itself mainly in their capital structures. If, for example, the government is asked why the C.N.R. has discontinued a certain service, it has been the practice for the appropriate Cabinet Minister to report that he would obtain the answer from the corporation, thereby acting only in the capacity of a person passing on information without comment. As a result, it will be found that the proprietary-type corporation has a significant degree of independence from political influence in its day-to-day operations.

Although the Financial Administration Act of 1951 provides that the Governor-in-Council has the power to approve capital expenditures in excess of a fixed maximum (a common figure is $25,000), this authority is seldom, if ever, exercised in the case of business-type corporations other than through the review of the annual budget.

(4) *Flexibility*: The freedom of action offered the management of a Crown Corporation is one of the main features of this type of organization. The flexibility in most aspects will vary depending on the company's classification within the Financial Administration Act. The management of proprietary or business-type agencies such as T.C.A., C.N.R. or Polymer have the same or perhaps more, flexibility than a subsidiary company in a private enterprise.

Those companies located at some distance from Ottawa appear to be under less direct governmental control than do companies whose head offices are in the Ottawa area. For example, Central Mortgage and Housing Corporation in Ottawa has four active deputy-ministers on its board of directors, whereas Polymer, in Sarnia, or T.C.A., in Montreal, have boards of directors entirely made up of business men from private industry who have been recommended by the existing Board of Directors and approved by the minister concerned and the Governor-in-Council.

Disadvantages of Crown Corporations

Opponents of the Crown Corporations argue that there is insuffi-

cient control by Parliament and Government, that the public is not kept sufficiently well informed of their activities, and that these "public servants" have been placed in a privileged group. The business-type Crown Companies such as Polymer are fully aware of these objections and are taking steps to keep the public informed of their policies. There is a need for formal arrangements whereby the corporation could present and explain to the public, on its own initiative, its broad policies and plans for the future. However, this is sometimes likely to be a two-edged sword which could well lead to more interference or control from political sources. The administrator, making decisions and taking action in this atmosphere, no matter how "independent" his company may be on paper, will be influenced along somewhat different lines than a man operating in a private enterprise whose principal responsibility is to the shareholders.

Conclusions

Administrators in Crown Companies are, for the most part, subject to pressures and influences similar to those influencing administrators in privately-owned companies of the same type and size. This point has been emphasized by many officials of Crown Corporations, one of whom clearly stated, "Our administrative problems are similar to those in any large corporation."

Notwithstanding this fact, it must be realized that it would be impossible for government to carry out its responsibilities to the public without exercising some control over Crown Corporations. These companies can, therefore, never completely divorce themselves from their political origin and connections.

The amount of political influence with which an administrator of a Crown Corporation has to contend varies, depending on:

(1) The type of corporation as established by the Financial Administration Act of 1951;

(2) The degree of the corporation's financial independence;

(3) The personal influence of the Cabinet Minister under whose jurisdiction that company comes;

(4) The existing influence of Mr. Howe over all Crown Corporations, not necessarily only those under his own jurisdiction, since he is a strong believer in their maximum possible independence;

(5) The proximity of a corporation's headquarters to Ottawa.

In the authors' judgment, the economic policies of a financially-independent Crown Corporation tend to be more conservative than one would expect of a privately-owned company of a similar type and size. A probable reason for this is that the obligation to pay out dividends to

the shareholders is not as great within a Crown Corporation as in a privately-owned company.

A strong financial position permits the corporation to do its own financing of large expenditures, and this independence minimizes the possibility of governmental interference.

It appears quite evident that the problem of trying to overcome the adverse public opinion toward Crown Corporations is prominent in the minds of the executives, and that this affects their decisions and actions. The active participation of excutives of Crown Corporations is community activities is a good indication of the action being taken by management regarding this problem.

The Public Relations Department of a Crown Corporation has traditionally been given minor importance in its organization. This has been due to the corporations' reticence in publishing information which, if promulgated, is normally channelled through the appropriate minister. Notwithstanding this customary practice, the authors anticipate that public relations will be given much greater emphasis in the future in order to surmount the basic obstacles of adverse and misinformed public opinion.

It is our opinion also that a slow but steady increase in the number and variety of Crown Corporations may be expected. The following are some of the reasons which can be established in support of this view:

(1) There has been a tremendous growth in the number of civil servants; from 1939-1947 the number tripled and has continued to increase since then, so that one out of eight working persons in Canada now works for the government.

(2) The Gordon Commission preliminary report indicates that the growth of the number of activities controlled by the government will continue to expand in the future.

(3) There has been a steady change in the attitude of the public towards the responsibilities of government, which is shown in

  (a) the growth of economic regulation;
  (b) the growth of welfare services, such as family allowances;
  (c) the growth of government ownership; e.g. T.C.A., C.B.C., Polymer.

(4) The anticipated increase in the Canadian population and the development of new areas will involve the Government in new activities.

(5) The Crown Corporation device has, by and large, been successful in handling the new requirements of government.

Businessmen should recognize that Crown Companies are here to stay. These companies presently play an integral and necessary part in

the Canadian economy. All Canadians should be aware of both the potential benefits and the potential dangers associated with the growing use of this form of government operation. In a very real sense, the Crown Corporation poses one of the greatest challenges faced by private enterprise today. On private enterprise's success in meeting this challenge hinges the future growth and development of the Crown Corporation device in Canada.

EXHIBIT 1

CLASSIFICATIONS OF CROWN CORPORATIONS IN ACCORDANCE WITH PART VIII OF FINANCIAL ADMINISTRATION ACT, 1951

Departmental Corporations:—a corporation that is a servant or agent of Her Majesty in right of Canada and is responsible for administrative, supervisory, or regulatory services of a governmental nature. Ten departmental corporations are listed in Schedule "B" to the act:

1. Agricultural Prices Support Board (1944)
2. Atomic Energy Control Board (1946)
3. Canadian Maritime Commission (1947)
4. Director of Soldier Settlement (1931)
5. The Director of Veterans' Land Act (1942)
6. Dominion Coal Board (1947)
7. Fisheries Prices Support Board (1944)
8. National Gallery of Canada (1913)
9. National Research Council (1924)
10. Unemployment Insurance Commission (1940)

Agency Corporations:—a corporation that is an agent of Her Majesty in right of Canada and is responsible for the management of trading or service operations on a quasi-commercial basis, or for the management of procurement, construction or disposal activities on behalf of Her Majesty. Schedule "C" to the Financial Administration Act lists the following as agency corporations:

1. Canadian Arsenals Ltd. (1945)
2. Canadian Commercial Corporation (1946)
3. Canadian Patents and Development Ltd. (1948)
4. Atomic Energy of Canada Ltd. (1952)
5. Crown Assets Disposal Corporation (1950)
6. Defence Construction (1951) Ltd. (1951) — previously Wartime Housing Ltd. (1941)
7. Federal District Commission (1927)
8. National Battlefields Commission (1908)
9. National Harbours Board (1936)
10. Park Steamship Co. Ltd. (1942)

Proprietary Corporations:—a corporation that (1) is responsible for the management of lending or financial operations, or for the management of commercial or industrial operations involving the production of or dealing in goods and the supplying of services to the public and (2) is ordinarily required to conduct its operations without parliamentary appropriations. The following corporations are listed in Schedule "D" of the Act:

1. Canadian Broadcasting Corporation (1936)
2. Canadian Farm Loan Board (1935) — originally Federal Farm Loan Board (1927)
3. Canadian National (West Indies) Steamship Ltd. (1927)
4. Canadian Overseas Telecommunications Corporation (1950)
5. Central Mortgage and Housing Corporation (1945)
6. Eldorado Mining and Refining Ltd. (1944)
7. Eldorado Aviation Ltd. (1955)
8. Export Credits Insurance Corporation (1944)
9. Canadian National Railways (1919)
10. Northern Transportation Co. Ltd. (1947)
11. Northwest Territories Power Commission (1948)
12. Polymer Corporation Ltd. (1948)
13. Trans-Canada Air Lines (1937)
14. St. Lawrence Seaway Authority (1952)

Note: From *Canada Year Book* 1955—page 98.

The Gordon Commission Recommends:

1. AGRICULTURE:	*Continue Wheat Board method of marketing, with the Board controlling production through a quota system.*
2. ENERGY:	*Establish a National Energy Authority. We should permit the export of oil, gas and power.*
3. FOREIGN INVESTMENT IN CANADA:	*Induce, possibly by tax concessions, U.S. subsidiaries here to publish annual financial statements, sell 20%-25% of their equity stock to Canadians, use natives in top management and as directors. Safeguard home control of our banks and life insurance companies by making foreign purchases of equity stocks non-voting.*
4. SECONDARY MANUFACTURING:	*Allow faster write-offs for buildings and equipment. Large buyers might discuss their plans with suppliers to allow economies of production costs.*
5. COMBINES POLICY:	*Encourage a certain amount of merging to get longer production runs. Possibly size alone or price agreements are no longer necessarily against the public interest. Modernize present combines machinery and legislation.*
6. TAXATION OF THE OIL AND GAS INDUSTRY:	*Don't try to compete with U.S. in generous treatment. Change tax laws re depletion allowance to help the smaller non-integrated companies. Cost of unproductive properties should be deductible.*
7. CAPITAL REQUIREMENTS:	*Increase the now-inadequate supply of Canadian venture capital by altering the investment restrictions imposed on trustees and life insurance companies, e.g. raise the 15% limitation on common stock investment by the latter.*
8. MUNICIPAL FINANCING:	*Many municipalities could well increase their long-term borrowings, raise tax rates and imposed a motor vehicle tax.*
9. TRAINED MANPOWER:	*We need a sustained effort to raise university standards. Academic salaries should be raised by 50%-100%.*
10. TARIFFS:	*Don't reduce tariffs unilaterally. Reciprocity with the U.S. is unlikely and unfeasible. Customs tariffs should be left pretty much as they are with periodic re-examination.*
11. TRANSPORTATION:	*Railways will need increased revenues to offset loss of business to the trucks. Might raise freight rates on high-value shipments, increase the statutory rates like the Crow's Nest Pass grain rates, or give a government subsidy; latter is most likely. Vehicle owners should pay a greater share of road costs.*
12. ATLANTIC PROVINCES:	*Federal Government should provide annual sums for capital assistance and give generous aid to Maritimers wishing to move to other parts of Canada.*

THE GORDON COMMISSION REPORT

. . . . . a Critique

J. C. Mills

". . . Canadians have every reason to look forward with optimism and confidence to the continued economic development of our country and to a rising standard of living in the years to come." This observation, occurring as it does at the very end of the Gordon Commission's Preliminary Report, epitomizes the tone and findings of the Commissioners. Generally, the Report can be described as a most optimistic appraisal of Canada's present position and future prospects. It differs markedly from its American counterpart, the Paley Report, which is to some extent a catalogue of resources of which the U.S. faces critical shortages. No such lack of abundance is foreseen for Canada—'the best is yet to be'.

Where the overall indicators are concerned, there can be only slight quarrel with the Commission's forecasts of a population of 26 millions producing a Gross National Product in real terms some three times the 1955 level with real income up by two-thirds. These are the result of a great deal of expert research. In general the estimates for the major indicators lead to the impression that the Gordon Commission is forecasting maximum potential that can be attained rather than what is likely to be achieved. Some will question, and rightly so, whether the assumptions re productivity increases are too high.

For example, the business rate of 2½% to 3¼% increase per annum is based on the quite short-run experience of the last few years and is surely not borne out from the longer-term point of view. Possibly there is an element of rosy-coloured thinking on the part of the Commissioners, derived from the quite evident fact that they have been influenced much more by the Canadian experience of the post-war period than the longer run. However, it must be admitted that few, if any, of the earlier years for which data are available can be regarded either

as 'normal' or in keeping with the Commission's assumptions that Canada will enjoy full employment and a high level of economic activity in the future.

The Commissioners would have been well advised to warn their readers in no uncertain terms that economic forecasting is an inexact science at best, and in particular that the emphasis should be placed upon general levels and broad estimates of growth rather than on precise orders of magnitude. For instance, it is surely more realistic to say that the Gross National Product is expected to triple in size by 1980 rather than to say it will reach $76 billion plus or minus 10%, depending on immigration rates and productivity growth. No doubt economists and others are already at work drawing trend lines from 1955 actual figures to 1980 estimates and reading off the intervening years. Rather ironically, if this is done for G.N.P., the trend line for the Gordon Commission's chosen estimate of total output would indicate that the 1956 forecast was much too low. The same criticism has been made in the case of many of the Paley Commission's forecasts. The Gordon Report might well have emphasized that the actual level of G.N.P. and other indicators in any intervening year before 1980 is not important in assessing the worth of the forecast: it is quite possible that the experience of a succeeding year will show the Gross National Product to be off the long-term trend line in the opposite direction.

It is unfortunate that the Report does not contain more statistical information to back up both the Commissioners' analysis of the present economy and their forecasts. Much has to be taken on faith alone. To give only one example, the Capital Requirements section states that in the post-war decade 1945-1954, total new investment in Canada amounted to 25% of G.N.P. for the period. Readers of the government's annual Investment Outlook are accustomed to seeing this ratio expressed, year after year, as being considerably closer to 20%. It appears, although this is not certain, that the Report includes investment in inventories in its estimates of total investment while the annual publication does not. This in itself is not a vitally significant point, but the brevity of the Parliamentary Report raises more than one such statistical puzzle. Another is a reference in an important table to Gross Domestic Product as being the measure of total output; certainly, definition of this unfamiliar concept is needed. The Report suffers rather unnecessarily from defects of this nature.

Criticism of this kind raises the question as to why a Preliminary Report was published at all. The Rowell-Sirois Commission felt no compulsion to issue a similar progress report, and in their case the outbreak of war dictated speed in the completion of their deliberations. When forecasts are being made of the course of the economy over the next 25 years, surely it would have been advisable to wait a few months

and publish a complete report containing the data on which the members of the Royal Commission have based their conclusions. Publication at this time must be ascribed to the vagaries of Canadian political life.

While the Preliminary Report manages to cover a great deal of ground, at the same time the order of priority as to treatment of subject matter is strange. A rather obvious gap is that the subject of inflation is not covered at all. Credit control is perhaps the most pressing economic problem of the present day. We are told that this topic, together with others such as regional development and full employment, will be dealt with in the final report. Certainly everything could not be covered at this early stage, but if a preliminary report was considered necessary, and with the existing inflationary pressures in the economy, it is difficult to understand why such a vital and topical matter was omitted.

The controversial issue of foreign control and ownership of Canadian industry is treated most carefully in the Report, and the recommendations made will undoubtedly receive general approval. But more information should have been provided to indicate the extent and gravity of the present situation, there being undoubted confusion and lack of knowledge in the public mind on this point. Extreme nationalism or even an immoderate tone here could have serious consequences upon the inflow of capital from the United States. The suggestions of the Royal Commission for the gradual Canadianization, to some extent at least, of U.S. subsidiaries may be described as being moderately nationalistic and quite realistic. Such changes as the sale to Canadians of 25% of the equity stock of U.S. subsidiaries and the inclusion of natives in top management cannot satisfactorily be accomplished by legislation, but rather by enlightened moves on the part of American parent companies brought about perhaps by the force of Canadian public opinion.

The Commissioners seem unduly worried as regards the possibility of outside control of our banks and insurance companies. Surely the great agencies for lending and investment are among the most closely-regulated companies in the entire Canadian economy. The Report indicates that foreign control is not yet of significance, but that home control must be safeguarded. The reasons for reaching such a conclusion would be of interest. The suggestion that future purchases by foreigners of the common stocks of these firms be made non-voting has a rather impractical appearance about it.

Where wheat production is concerned, the Commission is suggesting that farmers be placed in something of an economic straight jacket. The Wheat Board would control each farmer's production, as well as handling the marketing end. Surely this is wrong, at least at this time; serious doubt arises as to whether such stringent action is necessary. Wheat production has admittedly increased very greatly in recent years, due in part to efficiencies arising from increased mechanization. But

the dominant factor has been and will be favourable weather conditions. Adverse weather here and in other countries may very well—in time—take care of our wheat surplus. There is every reason to see if this solution will come about before undertaking further and rather drastic government interference in wheat farming, even assuming, and this is by no means certain, that the suggested quota system is workable.

The Commission's recommendations concerning irrigation are difficult to understand and may contain something of a paradox. On the one hand the Commissioners point out that in a decade or so the land will have to be used more intensively; yet they suggest a holiday at present in the construction of irrigation projects. Such projects usually take a long time. Therefore it would seem more sensible that irrigation works should be planned and built soon in view of the eventual necessity of using the land more intensively. As well, irrigation projects would assist the switch, which it is recommended farmers undertake, from grain to livestock and other types of farming. The Commissioners should have indicated what they had in mind in suggesting that better use can be made of the funds which might be used for irrigation and other methods of augmenting production.

Where commercial policy is concerned, the Commission takes a middle-of-the-road view, advocating neither the raising nor the lowering of tariffs. The point that Canada cannot go it alone in tariff reduction is a realistic one, and the Commissioners make a valuable contribution in refusing to pay the usual lip-service to free trade other than on the basis of common action by many nations. The Report makes sense in another regard by stating that reciprocity with the U.S. is unlikely, and indeed would be unwelcome, since many of our secondary manufacturing industries simply could not compete on a free-trade basis with U.S. imports. Some readers may view statements like this as exhibiting a high tariff sentiment on the part of the Commissioners, but this is by no means certain. Some recommendations, such as eliminating or drastically reducing the number of tariff items relating either to 'of a class or kind not made in Canada', or 'to end use', require very careful examination as to probable effects, since it is not inconceivable that the end result might be a raising of the tariff barriers. Goods entering under these tariff items now do so at very low rates; eliminating these items could cause the goods to fall under other items at higher rates. The Report requires clarification on this point.

One of the weaker sections of the Report, insofar as its recommendations are concerned, is that part of the Secondary Manufacturing section which deals with combines policy. There can be little quarrel with the Commissioners' view that certain industries in Canada contain an excessive number of firms. The question of how the lesser firms are to be squeezed out is, of course, the all-important point, and on this the

Report is strangely silent. If the government is to stand by and give tacit consent to mergers which, while lessening the number of firms in an industry, at the same time concentrate control of the market in fewer hands, a major reorientation of existing policy will be required. This would be a move to be decided upon only after the most careful consideration.

Mr. Gordon and his colleagues are treading on delicate and dangerous ground in suggesting that such things as size alone, or price agreements among companies may no longer necessarily be contrary to the public interest. Certainly where the latter are concerned, the courts have decided otherwise; the Commissioners may be doing businessmen a grave disservice if they lead them to believe that existing public policy condones combines. Economists and lawyers learned in anti-trust affairs are far from being in agreement on these matters which are treated so airily in the Report. Size alone, by the way, has never been the subject of attack by the Combines Branch despite the Report's inference that it has been regarded as against the public interest.

The fact is not mentioned in the Report that it is only a few years since a thorough study and revision was made of combines legislation. Yet the suggestion is made that another review be undertaken, despite the fact that there now exists no problem not present at the time of the last investigation. Indeed, the recommendation is rather surprising in view of the Commissioners' statement that they examined neither the legislation nor its administration. Some word of commendation for the vigorous and fairly effective anti-trust work of the post-war era might have been more appropriate, in the author's view.

Superficiality again rears its head in the analysis of Canada's transportation problems. The Commissioners find that the future revenues of the railways will have to be supplemented by government subsidy, higher freight rates, or by increasing the statutory and bulk commodity rates. There is not even a mention of the railways trying to better their competitive position vis-a-vis trucks through use of such measures as agreed charges. Where the statutory rates are concerned, the Report seems to assume that the Crow's Nest Pass rates on grain moving out of Western Canada are unprofitable for the railways. This has never been proved, and indeed a recent Royal Commission found indications that the opposite was the case. The whole freight rates question is indeed a complicated one, and ill-considered changes can have profound effects on the prosperity and development of Canada's diverse regions. Once again the members of the Commission might have been advised either to go into the matter much more thoroughly before making recommendations, or to have left the whole subject for the Final Report.

The Commissioners are to be commended for their treatment of the problem of municipal financing, a field where emotion often displaces

common sense. It was high time that some authority pointed out that many municipalities can put forth greater effort to solve their financial problems by means of higher taxes and new forms of taxation instead of simply exhorting senior governments to provide greater financial assistance. At the same time, the Report does wisely point out that there is a real need for clear definition of the area of responsibilities and revenues of the municipalities.

Where energy is concerned, there appears to be reasonably solid foundation for the recommendation to allow the controlled export of surplus oil, gas and hydro-electric power, and for the establishment of a national energy authority. The former would assist in exploration and development work and offset part of the substantial costs involved. As well, and this is a point not made in the Report, it seems likely that if and when Canada wishes to repatriate a terminable block of power, the importing area could build nuclear plants at comparable kilowatt costs. The creation of a national energy board is long overdue in view of the power problems which, in recent years, have confronted the Federal Government and which have serious long-term implications. For example, the gas pipeline fuss of last year might well not have occurred had such a board been in existence.

The statistical data in the energy section is confusing to the reader, but this is understandable in view of the difficulties in assessing the efficiency of each source of energy at its ultimate consumption point. The Commission, for the sake of brevity, measured the heat or energy contribution at the crude input level, a method which understates the contribution of hydro-electric power, the most efficient type of energy. The Report admits this understatement and estimates the true contribution of hydro-electric power without reassessing the contribution of other energy sources.

Income distribution, as opposed to ways and means of increasing income, is not adequately treated in the Report. Too often the question of how the pie is to be cut is regarded as one for the sociologist, whereas it has much broader economic implications. The very many briefs presented to the Commission illustrated this lack of interest; only one, that of J. K. Galbraith, an ex-Canadian and now a Harvard economics professor, dealt to any broad extent with the serious problems involved in the equitable distribution of income in our economy. Only where university people and Nova Scotia coal miners are concerned do the Commissioners touch on the fact that economic growth leaves us with hard cores of poverty unrelieved in the general advance. The plight of the Atlantic provinces is dealt with to some extent, but the whole problem is worthy of more sympathetic attention.

In conclusion then, it may be said that the Preliminary Report is rather in the nature of an hors d'oeuvre to whet the appetite of Cana-

dians for the detailed studies and Final Report to come. The very existence of the Royal Commission has led a great many Canadians, particularly business executives, to indulge in much-needed assessment of the present and the future. The interim publication suffers from a paucity of facts and figures which at times makes it difficult to follow the reasoning of the Commissioners in their recommendations. Nevertheless, the Report is basically a sound document containing for everyone a good deal of food for thought. Businessmen and governments for many years to come will be shaping their policies on the information and recommendations supplied by the Gordon Commission. A careful reading and understanding of the content of the Preliminary and Final Reports and the individual studies as they appear will be rewarding, particularly to those concerned with decision-making in business.

The View Ahead

"The basic forces in the past growth of the American economy continue to be strong and vital, and the inherent stability of the country is greater than ever—making probable an average annual gain of 3-4 percent in GNP in the future.

"Our economic goal is, however, a complex of elements, none of which we would willingly sacrifice for any other. We seek—all at the same time—full employment, full production, stable prices, great individual freedom, and a wide sharing in the benefits of progress. These aims are compatible, provided that both government and people play their economic roles understandingly.

"Government has a dual economic role. In managing its taxing, spending, and borrowing activities, it directly affects the stability of the economy. In fostering and promoting private enterprise, it supports the over-all expansion of the nation.

"Individuals can help achieve steadier economic progress by reacting in a more stable way to the present economic environment. This environment makes long-range planning of expenditures by businesses and households more feasible than at an earlier time.

"Federal machinery for managing the economy is now flexible and powerful enough to prevent severe booms or depressions if it is improved in certain ways and used skillfully by the President and the Congress.

"The tools for Federal economic management—economic statistics and analytical methods—are imperfect. But they are steadily improving in their accuracy and promptness of availability. In the hands of a skilled analyst, they can reveal economic trends with reasonable accuracy six months to a year ahead.

"The basic requisite for sustained prosperity, however, is policies to create a high-incentive economy in the fields of personal security, public assets, money regulation, taxation, business investment, competition, and foreign economic relations. The requisite policies call only for moderate reforms of present laws, institutions, and practices — not radical innovations."

—Neil H. Jacoby, "Can Prosperity Be Sustained?", Henry Holt & Company, New York.

George McIvor

— Canada's Biggest Salesman

Joan Davidson

ONE hundred and fifty years ago Lord Selkirk's settlers harvested Canada's first bumper wheat crop—1,200 bushels. Last year Canadian farmers produced about 550,000,000 bushels, and a descendant of those first settlers is responsible for marketing the entire crop.

He is George McIvor, Chief Commissioner of The Canadian Wheat Board; a salesman with the largest clientele in the world and the Canadian best known in international grain trade circles.

Since George McIvor is as much of a Western Canadian as it is possible to be, and since wheat is the mainstay of the west, it was perhaps inevitable that he should become a part of the grain business. His grandfather came to this country as a member of an expedition to search for the explorer, Sir John Franklin. When he retired, after forty years in the north with the Hudson's Bay Company, he was given a farm in Kildonan where Lord Selkirk brought his first settlers. Mr. McIvor was born in Portage la Prairie, Manitoba, on October 20th, 1894. His father died shortly after, and as a boy George McIvor spent the winters in Winnipeg with his mother, a noted signer, and the summers on his grandfather's farm.

The rich Scots background of the Kildonan Community made a great impression on him. He remembers his grandfather taking his wheat to a flour mill in Winnipeg—and notes how different today's marketing methods are. The people of the strict Presbyterian community had "great understanding but little money" and borrowed back and forth when financial difficulties struck one or another of the families. It may have been in these days that George McIvor developed his enthusiasm for the principle of co-operation among farmers which has played such an important part in his career.

Mr. McIvor left school at fourteen, after completing one year of collegiate, and became a telegraph messenger for the C.P.R. He called daily at the offices of firms of the Winnipeg Grain Exchange, and when he was seventeen one of these firms, the McLaughlin Grain Company, offered him a job as an office boy. In 1916, at the age of twenty-one he became manager of the Lethbridge office of the company. The office consisted of himself and a stenographer—but the move was rewarding, for there he met and married Myrl O'Hagan, a Lethbridge girl.

He later joined the Willard Cumming Grain Company in Calgary, and then was appointed manager of the Calgary office of James Richardson and Sons. The year, 1925, was an important one in George McIvor's life, for he was appointed Western Sales Manager of the Canadian Co-Operative Wheat Producers Limited, and first came in contact with Henry Wise Wood, the genius of the Co-Operative movement among western farmers. Two years later the McIvors returned to Winnipeg and he became general sales manager of the organization.

His next position was deputy to J. I. McFarland, Chief of the Government Stabilization Operations, the organization designed to help the farmers withstand the disastrous effects of collapse of 1929 and misery of the early thirties. In 1935 The Canadian Wheat Board was formed, and he became sales manager, and a short time later assistant chief commissioner. In 1937 he was appointed chief commissioner, the position he still holds.

During World War II, while the free peoples of the world were trying desperately to feed the millions who were starving, George McIvor played an important role in world food organizations. He was chairman of the Cereals Committee of the Combined Food Board, Washington, and held the same position on the International Emergency Food Council in Washington. His wartime services were recognized when he was made a Knight Commander of the Order of St. Michael and St. George in 1946. In 1947 the Belgian Government awarded him the Order of the Crown.

Mr. McIvor, with his wonderful stories of people he has met and places he has been, has never allowed himself to become too far removed

from the farmers, the basis of his organization. When he first occupied his office in the Wheat Board he insisted that the battery of secretaries and receptionists were *not* there to keep the farmers from seeing him. He still welcomes them.

In his office today he plays host to diplomatic and trade missions as well as farm representatives, and they all must be astounded by the number of photographs which are scattered around the large, comfortable room and on his massive desk. Close by his commission, bearing the royal seal, are pictures of his grandchildren—three small Scots lasses and four husky, young Canadians. Behind the desk, Mr. McIvor looks somewhat forbidding, but his warm smile would put anyone at ease—from the newest foreign trade commissioner to an inexperienced, young reporter.

Mr. McIvor's goodwill and sales trips have carried him to Europe many times, to Japan and the Far East—and everywhere he is highly respected by government officials, economists and grain men. His years of responsibility seem to have taken little toll of him, for he looks at least ten years younger than his 62 years, and still finds time to skate and swim at the Winnipeg Winter Club.

George McIvor has a formula for success—quite a simple one. "Application, keen powers of observation and faithful work" constitute his theory which he acquired from his hardy Scottish background. Henry Wise Wood once said of him "strict attention to business—reliable all the time."

The interests of the Canadian farmer are well protected by a man who wasted little time in rising to the top of his chosen field. At sixteen he was making a few dollars a week delivering telegrams. At thirty-three, as general sales manager, Canadian Co-Operative Wheat Producers Limited, he held one of the most important positions in the grain trade in Canada. Since that time he has continuously had great responsibilities in the ever-changing grain situation here and abroad. Today he is the key figure in one of the nation's key industries, and head of an organization which is the largest of its kind in the world. It is no small job, and it is an exceptional man who fills the position.

THE COMPANY DOCTOR

G. E. Faulds

IN Canadian industry, doctors have such a wide variety of duties, variable hours of work and different fields of usefulness that it is difficult and dangerous to generalize. Medicine first got its foot into the industrial door through its contact with the injured worker. But now many companies employ a doctor to examine their employees even before hiring them, either on a fee basis or on a salary. Indeed, greater and greater use is being made of the doctor's services until he gradually becomes a regular part time or full time employee of the company, checking new recruits, examining periodically some or all employees and even, in certain situations, such as isolated mining communities or pulp and paper mills, etc., assuming full medical responsibility for all employees and, also, their families.

From caring for the occasional accident case, the company physician has progressed to a full time specialized type of work tailored to the particular needs of the industry which employs him. As a full time staff physician, assisted by one or more nurses and secretarial staff, he can look after the health and well-being of several hundred employees. His degree of value to industry depends on a number of factors, chief of which are the number of hours he works, the help he has available, his own personality and training, and above all, the degree of co-opera-

tion which he receives from management. His services must be available on company time to all employees. The medical records and information must be confidential. In contentious cases his position should be one of benevolent neutrality with the employee getting the benefit of the doubt. He performs his functions best when he has an adequate knowledge of the industry itself together with its varied job requirements.

Preplacement Examinations

By thorough examinations of all prospective employees before hiring, a company can make sure that the applicant is physically and emotionally fit for the job. At the conclusion of the examination, the findings are discussed with the applicant with particular emphasis on conditions which react to treatment such as hernia, overweight, infected tonsils, dental disease, diabetes, etc. Sufficient time should be taken to enable the doctor to get a good idea of the individual as a person. In this way, most of the more obvious emotional misfits can be recognized. From my experience with industrial employee health, I would much prefer to recommend for employment someone with a physical defect or handicap rather than someone with emotional maladjustment. The actual rejection of an applicant is, in most cases, better left to the employing official.

Periodical Examinations

Complete physical examinations of all employees are provided by some firms every two years, while by others every three or four years is considered adequate. The group of employees over forty years of age should be examined more frequently, perhaps as often as once a year. These examinations are done during working hours in a leisurely but complete manner so that time is given for a sufficient history and for discussion of health problems.

These examinations should be on a voluntary basis. Most employees are happy to have a complete periodical physical examination with an opportunity to discuss medical problems. General acceptance requires education but after a period of time it works satisfactorily.

The examination affords a wonderful opportunity to discover disease and potential disease tendencies in people who are otherwise unaware of them. Some of the more common conditions found are early heart trouble, high blood pressure, diabetes, dental conditions, deafness, defective vision, overweight and underweight, cancer, etc. Naturally, when these disturbances in function are discovered early, treatment is much more effective. If possible, the employee is referred to his family physician with a covering letter. To make sure that he does something about his condition, a further recheck is done to ascertain whether or

not he has followed advice. The results of these examinations are considered to be confidential and are kept on the employee's medical file so that the information will remain that way.

Return to Work Examinations

In order for this type of assessment to be done, the medical department must have knowledge of the patient's illness and this can only come through a confidential medical report from the employee's private physician. From information received on this medical document as well as information on the medical file, it is quite frequently considered advisable to check the employee's condition before or at the time of return to work. Such return-to-duty examinations are used chiefly where the medical department can be of definite assistance in rehabilitating the patient. They are not used for illnesses of short duration or for minor illness such as respiratory infections.

Often it is possible to provide light or part time work for a period until the convalescing employee has regained his full strength. Such an arrangement has been found helpful to both staff and management but caution must be exercised to see that it does not become a routine matter. Each case has to be considered on its individual merits.

Examination of Sick-Prone Employees

A sick-prone employee means one who is absent from work more than the average in his group or in the industry as a whole. In round figures, about 25% of employees account for 75% of absence from the job due to sickness. This relatively small group presents a problem of considerable magnitude.

It is primarily the job of management or supervision to find these sick-prone people and, what is equally important, to find them early before too many years have elapsed. This demands a definite interest in the problem on the part of supervision, the keeping of accurate absenteeism records plus a thorough knowledge of the people who work in the group.

After one or more frank discussions with the employee, referral to the staff physician may be suggested if health reasons are given as the cause for absence from the job. This referral should be done in a tactful and diplomatic manner so that the employee comes to the doctor without a feeling of hostility or resentment.

The doctor must have the employee's past history including the work history, absentee record and much other relevant information. It is then up to the staff physician to find the patient's trouble and, if possible, to help with the health problem, which is often of an emotional nature.

Emotional Problems

Mental health or emotional health, broadly defined, means the ability to live in harmony with one's environment. It means the ability to get along with other people, to be happy and feel relatively secure. One's behaviour is a visible expression of emotional equilibrium. Many of the people who are sick-prone fall into the group of emotionally insecure persons.

Helping people with their problems is the most important part of the work of the industrial physician. Any doctor worth his salt must be interested in people and their troubles. These problems vary considerably—from the hostile supervisor to an unsympathetic mother-in-law. Many of these upsets can be dealt with adequately by a sympathetic boss who will listen to his employee's problems. If a further effort is required, the employee can easily be referred to the company doctor.

Because of his position of neutrality, he is frequently consulted. It is probably in this field that he can make his greatest contribution to employee health and happiness. If the doctor ignores this aspect of his work, he is missing a great opportunity for service to the employees.

It is interesting to note the effect that the immediate superior has on his own personnel. The good supervisor has fewer problems than the supervisor who, for some reason or other, does not get along with people. The supervisor is much more important to the well-being and general morale of the individual worker than are actual working conditions, rates of pay, etc. If the boss is truly interested in his workmen, he will quickly notice any variation from their normal state of health, be it physical or emotional. Early referral to the doctor is often helpful in getting these situations straightened out.

The Problem Drinker in Industry

Part of the industrial physician's work is the problem of alcoholism among employees. It is difficult to say whether the incidence of alcoholism is actually increasing, but certainly it is safe to say drinking is far more common and socially acceptable than it was a few years ago. It would be natural to assume that with the increased incidence of drinking, there is or will be a greater number of people who have difficulty with alcohol.

The position of the industrial physician with respect to problem drinkers is somewhat different from that of the family doctor. For one

thing, the more emotional aspects are less and the industrial physician and the problem drinker have a bond in common in that they both work for the same company. The individual with a drinking problem seldom goes to a doctor of his own volition. This means that in the business world, supervisors must be thoroughly acquainted with all aspects of the problem. If the supervisor is aware of his responsibility, he can very often spot a potential alcoholic before the disease has progressed to where cure is difficult.

There is an increasing number of drinkers who are gradually sliding into the stage of greater and greater dependence on alcohol. If these people can be discovered early and the situation discussed with them, considerable improvement in their drinking habits can result. This discussion must be delicately handled because the individual may already have become concerned about his problem and be sensitive about it. However, if the discussion is handled properly, it plays a very important role in controlling what may otherwise get out of hand later. If the situation does not improve, then either the problem drinker or the supervisor may suggest that the company doctor be consulted. A man's job is usually a matter of vital importance to him so that any threat to his security calls for some serious thinking on his part.

Industry should regard alcoholism as an illness and should make every conceivable effort to help its victims. This may mean such measures as sick leave, job changes, financial help and moral support. Although in advanced cases of alcoholism the outlook is far from promising, a real effort should be made on the part of industry to salvage the individual. Dependence on alcohol is no respecter of persons and one often finds that some of the most senior and valuable employees become victims of this disabling condition, unless treated in its early stages.

Disability Assignments

Where a convalescent employee returns to either shorter working hours at his own job or to a less onerous job, the work should be of such a nature that he will continue to regain strength and improve, while still engaged in a useful occupation. This can be called a "disability assignment". With some types of workers, this is impossible because they are trained to do one job and there is no work available in their particular department unless they can perform their usual duties. However, even in these cases, part time work can sometimes be arranged, as in the case of a convalescent tuberculosis patient whose hours of work are gradually increased over a period of months. Quite often, without too much disturbance of the normal routine, temporary work of a useful but lighter nature can be given to an employee for a period of two or three weeks. These disability assignments call for close co-operation among the employee, supervision and the family and company doctors. The company

physician must not get overly enthusiastic about the success of these assignments bearing in mind that acceptance of this idea must be obtained in such a way that management does not become hostile. Each case should be dealt with as an individual problem.

Perhaps a typical case would be that of an employee convalescing from a heart attack. Over a period of years, the medical profession has come to realize that early resumption of duties is probably in the best interest of cardiac patients. This does not do a patient any harm where he is under close medical supervision and arrangements can be made for the employee to return to work for a period of a couple of hours a day to start with. His work load may be gradually increased as his physical condition improves but many things can be done to spare him, such as transportation to and from the job, work on the ground level, an opportunity to rest at regular intervals, and frequent evaluation of his physical condition.

Relationship With the Rest of the Medical Profession

I have sometimes been asked what the attitude of the rest of the medical profession is towards the physician who practices industrial medicine full time. My answer is that they both have mutual interests—the prevention and cure of disease. Close co-operation must exist in order that each doctor may complement the work of the other.

The industrial physician is in a position where he frequently discovers disease in its earlier forms. Having done this, he then refers the employee to his own doctor. Close contact is maintained between the doctors with their mutual problems—particularly that of rehabilitation of the employees at a job in keeping with his disability. Generally speaking, the company doctor must refrain from treatment because it is in this field that he may get into trouble with his own profession. If, in addition to his industrial job, he is also engaged in private practice, then he would be well advised to make a real effort to keep the two jobs separate.

Is Company Medical Care Worth the Cost?

The hard-headed executive may ask "Is this medical set-up really worthwhile?" It is difficult to measure its somewhat nebulous and intangible values. Satisfactory statistics showing fewer days of sickness per employee following the installation of medical services might convince the doubting company president, but the doctor would know that such

figures were really a better indication only of the general increase in new treatments and improved training of the medical profession.

It is in the field of preventive medicine that the company doctor can do his most useful work, but without providing suitable statistics to satisfy the efficiency expert. Where employees are regularly examined, any small deviation from normal is quickly picked up. While doing the considerable number of routine examinations before finding a dramatic example the doctor is, however, also getting across fundamental aspects of health education to his fellow employees. The early diagnosis of cancer, diabetes or heart trouble will enable prompt treatment and greatly prolong not only the life, but the efficiency of the individual employee. Not nearly so dramatic are the hours the company physician spends talking to people who for one reason or another, are suffering symptoms due to emotional disturbances. Such emotional sicknesses, while they take longer to develop, also take longer to cure. Their early treatment may also prevent a prolonged absence from the job.

The company physician thus has much to offer to both employees and management in the fields of sickness prevention, maintenance of worker happiness and good company morale.

We Are Failing

"We have said a good deal in previous years about the importance of our *natural* resources: their proper use, development, and conservation. This year I shall concentrate on our *human* resources. This, in the long run, is the most important concern of any policy that contemplates the public good. If our human resources deteriorate, our abundance of natural resources will in the long run be of no avail. We may dwell for a while in Goldsmith's unhappy land . . .

"To hastening ills a prey,
Where wealth accumulates,
And men decay."

(Continued on Page 208)

We Are Failing continued

But even the illusion of riches will soon fade if we fail to produce the kind of men and women who have and can impart to others the knowledge, humanity, and worthiness of spirit that make a people great.

The family, the church, the school have over many years and in many forms been the great forces which, within the limitations set by nature, have done most to determine the genius and character of the human race. Today our educational system is in a state of crisis. Our duty as citizens is to ensure that our educational system is provided with the financial tools to do the job which, in the next ten years or so, it will be called upon to do.

The expansion required will undoubtedly create problems in the financing of additional plant and equipment. But the most pressing problem today lies in recruiting and retaining staff.

In view of our growing educational needs, the present economic position of the teaching profession is an anomaly. The economic position of all teachers has deteriorated relative to other professions of comparable training and responsibility, and relative to the working force as a whole. Thus the teacher today finds himself in the same occupational "depressed area" which he occupied as long ago as 1776: a member then as now of what Adam Smith called "that unprosperous race of men commonly called men of letters".

But, other conditions have greatly changed since Smith's day. Today, our teachers are in short supply, and the prospect over the next decade or so is that this supply will be even smaller relative to the demands that will be made upon our educational system. With the present disparity between the salaries we pay our teachers, and the salaries we pay for comparable talent elsewhere, we cannot expect to recruit or to retain enough qualified men and women to maintain our present teaching standards in our schools and universities.

We as citizens must, through government, business, or individual action ensure that our schools and universities are provided with sources of funds sufficient to attract, to retain and to replenish those human resources of talent, training and experience that teaching requires.

The economic resources at the disposal of our schools and universities, and even of many of our churches, are insufficient to maintain decent living standards for the devoted men and women whose life work it is to train the minds and develop the character of our young people. It is a ridiculous situation, but by no means an uncommon one today, to find that a new graduate receives a salary on his first job that approaches or even surpasses what his teachers, in school and church alike, receive as their material reward for a lifetime of service.

We are failing to make the fullest and wisest use of key human resources; we are failing to give them a reward consistent either with equity or incentive; and we are endangering therefore the future welfare of our whole economy."

—James Muir, Chairman and President, Royal Bank of Canada.

Office AUTOMATION In Perspective

Colin C. Dumbrille

SINCE the dawn of history, man's progress has been to a very large extent dependent upon the invention and use of tools. The stone axe, the bow and arrow, the wheel, the use of metal, fire, the first crude lathe, the printing press, the loom, the spinning jenny, the steam engine, the internal combustion engine and electricity have all made their contribution and now we are exploring the wonders of jet engines, rockets, atomic energy and electronics. It is, of course, relatively easy to take a detached look at history and relate human progress to the earlier inventions or tools which man molded and used to his own ends; it is much more difficult, however, to assess the worth of more recent developments. So much must necessarily lie in the field of speculation, for who can tell where the uses of electricity and its infant son "electronics" will end, to mention just one example. One generalization is possible, however, and that is—these are man's tools which exist to serve man and their uses will be limited only by man's ingenuity and his ability to discover the natural laws which govern their ability to serve him.

Electronics is a tool; a means to an end (to serve man) and not an end in itself. If this is clearly understood, much of the confusion which

apparently lies in the minds of many people when dealing with the subject of electronic computers will be avoided.

Let us look for just a minute at the uses to which man has put his tools. The earlier tools such as the stone axe, the bow and arrow, fire, and so on, were used to relieve man of his most pressing primitive problems, to free him from fear of hunger, fear of his enemies and to provide very limited amenities such as warmth. As we travel forward we see that, particularly in the last century, the uses of tools have become much more complex although still primarily directed to the production of goods. The industrialization which has resulted has improved the standard of living enormously and it is probably fair to make the general statement: "the improvement in living standards in any geographic area is directly related to the degree of industrial development which has taken place." This assumes, of course, that all other things are equal and it must be recognized that factors such as climate, natural resources, and others also have an important effect.

If this is accepted, we can then say that the improvement in man's lot is directly related to his invention and use of tools—up to now essentially tools of production. No one can deny that this technological development, which appears to be accelerating beyond man's wildest dreams, has made a tremendous contribution to human welfare. Unfortunately not all nations and peoples have participated equally, but the fruits are available to those who are capable of harvesting them.

Three Reasons for Office Automation

The great technological change which has taken place is not without cost, however, and although many problems have been eliminated or alleviated, new problems have been brought into being. The tools which have been developed exist to serve man and must be controlled and it is widely thought, also, that some control must be exercised over the distribution of their produce. But the benefits of profusion exist mainly through mass production of an ever broadening variety of goods and services. As a result the controls over production and distribution are themselves becoming increasingly complex.

Secondly, the ever increasing activity of all levels of government in every area of manufacture and distribution has led to an unprecedented demand for statistics of all kinds, and the additional accounting requirements for tax purposes has further complicated matters. The differences between commercial and accounting practices, company law and tax law have forced large Canadian enterprises to keep, for all practical purposes, at least three sets of books. One set is based on accepted business practices and company law to present fairly the accounts of the company's operations to the shareholders and the public, a second to

accumulate data to provide the necessary information to establish the Federal tax liability, and a third for Provincial tax purposes. There are also a myriad of additional routines required in connection with sales taxes (Provincial and Federal), excise taxes, customs duties, unemployment insurance, workmen's compensation, to mention just a few.

A third factor results from the quite obvious fact that as ever increasing quantities of the tools of production become available more and more producers are entering the market place with the quite natural consequence of sharply greater competition. The force of competition makes it mandatory for an enterprise to develop better and faster techniques of control so that it can deliver the right goods to the correct place at the proper time and at the lowest possible cost.

How Automation Can Help Control—A Case Study

Only in recent years was attention directed to improved tools of control, which so far have not caught up with developments in the field of production. Only very recently did most people begin to realize that control techniques and equipment were a necessary and productive part of modern industry. Those who have not yet arrived at this conclusion will inevitably be forced into it by the overpowering weight and complexity of operations today. These "control techniques" are accounting records and controls. Here the development has been away from the mere recording of historical financial data into the much wider area of day-to-day business control, towards the careful, planned accumulation of the proper information to enable management to exert a positive and timely control over the direction of the enterprise. This type of control, exercised by an overall plan of operation and by a series of short and long term forecasts or budgets, provides the basis for modern management. The basic principle is management according to plan as opposed to what might be called "action-reaction" management which in today's complex and flexible business atmosphere usually results in a continual series of crises. There is, however, one important point that must be remembered, the plan must be capable of frequent revision.

Du Pont of Canada (1956) Limited has for many years been managed under the principle of management according to a plan represented by four documents:

1. A financial forecast of capital expenditures, sales and profits for five years forward which is revised semi-annually.
2. A forecast of sales and profits for the ensuing twelve months; revised quarterly.
3. A monthly forecast of sales for twelve months in advance; revised monthly.

4. Annual budgets for advertising and auxiliary or service department expenditures.

With these planning tools it is possible, given the basic information on business conditions, to plan the timing and cost of production facilities required to meet the sales forecasts, to plan properly for efficient entry into new fields and to predict with reasonable accuracy the return to be realized on new investment.

The overall plan which is evolved is dependent upon current conditions. In any forward thinking it must be possible to make allowances for changes in the basic assumptions. It is, therefore, of the utmost importance that early warning of changes in current conditions be available, and the plan must be flexible in order to reflect these changes. Accordingly a rapid system of obtaining, processing and presenting information in usable form must be available. Under manual methods, and this may surprise non-accountants, accuracy must frequently be subordinated to speed. New mechanical methods, however, offer the promise of even greater speed and combine this with the additional advantage of accuracy.

It is with this background in mind that the basic decision was made at Du Pont of Canada to acquire an electronic computer and to proceed as quickly as possible with the overall mechanization of the accounting process. The equipment chosen is an I.B.M. type 650 data-processing system, comprising the basic computer with card-input, card and printed output and four magnetic tape units. This equipment, which is in the medium-sized class, not only provides efficient data-processing but also has adequate immediate access memory capacity, combined with the ability to do floating decimal arithmetic to permit its use as an effective scientific computer as well. This ability to handle scientific problems is a major factor in increasing the utility of the equipment. We are convinced that there are great benefits to be obtained in improved technology through the ability of the computer to solve complex mathematical problems which otherwise would be too costly in terms of manpower to attempt.

Integrating Accounting and Control

While the two most important reasons for acquiring a computer have already been outlined, there are others which are also significant. These lie in the area of integration of accounting and control functions presently being performed either manually or not at all. The aim, of course, is to perform mechanically as much as possible of the routine clerical work.

We mentioned the integration of accounting and control functions as an important development. Since there is a great deal being written today on the subject of integrated data processing it is probably not necessary to define the term. However, since there is some confusion, a few remarks for the purpose of clarification may be in order. First of all, data processing is not new; accountants and statisticians have been processing data for a long time. Secondly integration means just what it says and there is nothing new about this, for even the most elementary accounting system combines data processing and integration. The term integrated data processing (IDP) as used today means the recording of original data in mechanized form in such a way that it can without further recording be mechanically processed to produce the final results (or compilations) which are required. A punched card system is a good example of this:

1. Original data is recorded by means of punching holes in the appropriate parts of a card. To save space, information is usually recorded in the form of a numerical code.
2. Once cards are punched they can be sorted and collated mechanically.
3. When sorted in the order required, the cards are fed into a tabulator where the required data is listed and totalled in accordance with instructions which are electrically wired into the machine by means of a plug board.

This is an excellent and widely used system but it has one or two drawbacks:

1. It will only perform one operation at a time. For example, one operation might consist of listing invoiced sales totals by commodity and providing total sales. The multitude of other data required such as sales tax recapitulation, sales freight, discounts and other charges against sales, to say nothing of the many requirements for sales statistics require that the cards be resorted and re-run for each separate tabulation, and, of course, new instructions have to be wired into the tabulating machine.
2. However, the punched card system, although fast compared to manual recording and analyzing, despite its ability to produce needed compilations which would otherwise be impossible to achieve, is slow in relation to management's requirements. The many re-runs take days and even weeks to produce with the great volume of data generated in a complex business operation. Consequently, although a great improvement over manual methods, the punched card system is still basically a recording of history and not a developing of essential, timely information on which management can act.

Coordinating the Many Parts

What is, of course, required is a system linking the sales offices and

plants to a central high speed processing system similar to the way the nerve endings are connected through the central nervous system to the human brain. Information gathered at sales offices can speed rapidly over a modern communications system to a central point where it can be marshalled quickly into an overall picture to permit management to obtain a current bird's eye view of the operation and to disseminate instructions to make the most effective use of the resources at its command. Such a system has been made possible by the development of the electronic computer. Everything else, data recording apparatus, excellent communications, and so on have been available for many years but it was not possible to take full advantage of them due to the relative slowness of the central processing system.

The electronic computer which was originally developed for scientific computations, marks the major breakthrough in this paper war. It is not a brain and does not think, but when provided with meticulous and detailed instructions will process enormous amounts of information in minutes. Besides the ability to perform mathematical operations it can also, when instructed, do elementary logic; for example, it can compare two numbers and determine whether they are equal or if one is greater than the other and act accordingly. How it will act is determined by the instructions given to it. This latter ability makes possible the technique of "exception reports", a factor of great importance to management because it make possible a real reduction in the amount of paper generation and highlights those specific areas where management itself has decided that something should be brought to its attention.

Management by Exception

The concept of "management by exception" is really very simple but it requires that the work be highly organized. What actually happens is that a plan of operation is carefully developed, and so long as operations are going according to plan no action is taken. When a deviation occurs an "exception report" is prepared and the proper authority is thus permitted to take whatever corrective action is necessary and possible. To take one small part of a manufacturing operation as an example, let us suppose that we are controlling the stores of small parts which are used in an assembly plant. Our objectives are twofold: firstly we wish to ensure that we do not encounter costly delays due to running out of stock and secondly we do not wish to tie up any more working capital in inventories than is necessary. There is, therefore, an optimum inventory level and it is quite possible to establish, having regard to cost, suppliers' delivery time, economic order quantity, cost of a shutdown, and other factors, what this level is. From this study maximum and minimum levels are established for each item and the computer will, when processing transactions, list those items which should be ordered. Also, if instructed, it will provide information which is even further refined such as:

(a) Early warning of depletion
(b) Order required
(c) After order placed, expediting required if goods not received
(d) Quantity to order
(e) Last price paid
(f) Inventory count due.

It is, thus, not necessary to examine manually long lists of items, since the machine does this automatically. It is, however, important that the standards set and instructions given to the machine are precise.

The time and effort required for this planning phase is the price that must be paid for the future benefits which will be obtained. This fortunately need not be as serious a problem as it might appear since the computer itself can assist materially in developing the calculations required to establish the standards, and this organization of the job, even without a computer, can bring unsuspected rewards.

By-product Advantages

A computer program such as described above is often a by-product of another operation. The computer's primary job might very well be scheduling stores issues to coincide with a production schedule, a secondary application run concurrently could be that of costing stores issued to production and the inventory control function which has been outlined would be obtained as a free by-product. This can be accomplished from the original data input by computer processing with no further manual operation. This integration within the machine, coupled with its high operating speed, and the ability to report exceptions are the main attributes which give the electric computer such valuable potential.

It is not difficult to imagine the value of such a powerful tool. Indeed, the day of the automatic production of financial statements can now be said to be in the near future. These rich rewards are not obtainable without effort since the computer programming of even a simple operation is a detailed, time consuming task. But it is not one that should be shirked, however, for the prize is great and rarely is anything worthwhile achieved without effort.

The marshalling of our productive resources of manpower, materials and equipment into a coordinated productive effort is a task which is becoming more and more involved and complex. The electronic computer represents an essential administrative tool to fill a gap which has existed until now. Its employment will permit a more effective use of manpower. By making more effective use of personnel and other resources it is expected that many of the problems associated with rapid growth will be avoided.

RETAIL STORES

Where to locate

Douglas S. Allen
George T. Fulford
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VISIT any city in Canada today and you will see new homes, new families, new suburbs. This tremendous expansion of our urban population has pushed back city boundaries into what used to be woods, orchards and farmers' fields. And as the new suburbs have grown, so has the demand for new and modern shopping facilities located near these suburbs, with parking lots to handle the automobiles of the new suburbanites, with self-service and evening hours to fit in with their modern modes of living.

Active in the development of new shopping areas have been such groups as city or town councils, planning boards, real estate developers, financial institutions, and of course, the retailers themselves. All have had various parts to play in the scramble for good locations from which to service the shopping needs of our new suburbanites. More often than not, however, they have been balked by the difficulties inherent in evaluating what makes a site suitable or not suitable as a location for a retail store.

It is the purpose of this article to outline an approach to the problem of evaluating the potential of a given site. The viewpoint taken is that of the supermarket chain executive. Is site X a suitable spot for the location of a supermarket? How large a store would the area support? What sort of sales volume could we expect at this site? What factors should we consider in selecting a site like this? These and other ques-

tions, so necessary in determining the suitability of any proposed location, will be covered in the subsequent analysis.

For illustrative purposes, the city of London, Ontario, will be used. In the post-war years, six sites in and around this city have been frequently mentioned in the press as being possible shopping centre sites. We shall apply our method of analysis to each of these sites in an attempt to rank them as possible locations for a supermarket. The sites in question are shown on the accompanying map of London. More specifically, they are:

Site No. 1: The intersection of Huron and Highbury Streets, in the north-east section of the city.

Site No. 2: Richmond Street North at the Thames River. This site is outside the northern limits of the city.

Site No. 3: East of the city at the intersection of Dundas Street East and Clarke Sideroad.

Site No. 4: On Highway No. 2 between London and Lambeth, i.e. southwest of the city.

Site No. 5: The old General Steel Wares site in downtown London.

Site No. 6: West of London on Oxford Street at the Hutton Sideroad.

For each of these sites, we studied the following factors:

1. We estimated the rough limits of the trading area surrounding the proposed site. For this purpose, we considered the trading area to cover the land within 10 minutes driving time of the site.

2. We estimated the existing population of the trading area, and made a forecast as to the population within the next three to five years.

3. To the population figures we applied a figure of $5.60, the average weekly food purchases per person for

London. This figure was adjusted up or down so as to take account of the income characteristics of the area. The resulting figure gave us the dollar food sales potential for the area.

4. We then made a survey of competing stores already in the area, in an attempt to assess what share of the area potential we could reasonably expect to obtain. This gave us a figure for what dollar sales we could get by building a new store.

5. Finally, we used the figure of $2.50 sales per square foot of selling space to estimate how large a supermarket we could economically operate in the area. If the maximum potential size was less than 10,000 square feet, we considered the site unsuitable for our mythical company.

In making this analysis, we made the assumption that any shopping centres constructed on the specified sites would be so-called "neighbourhood" centres, that is they would consist of a supermarket and a number of smaller stores and services, such as a hardware store, drug store, flower store, bakery store, barber shop, and the like. Such a centre could serve a population of from 5,000 to 30,000 people. We did *not* feel that London, with a population of 150,000, could support anything larger than one or more neighbourhood centres, despite the fact that plans have subsequently been made for a huge 65-store regional centre, including a department store in one of the sites we considered.

Our reasoning in making this assumption was as follows:

Geographically, London can be visualized as a wheel, the centre of the city being the hub, and the suburban development—especially in the east, west and north—being the rim. These fringe areas are not expected to develop a population of 50,000 or more in the near future, this number being necessary to support either a community or regional centre, as these types of centres are usually defined.

It can be argued that a large centre located on the outskirts could draw on the greater London population. However, such a centre would be competing directly with the downtown shopping area, instead of filling a vaccum created by the absence of a shopping district. We believe the situation in London calls for filling a need rather than entering an established, highly-competitive market area. This conclusion is based in part on the fact that the established districts would undoubtedly offer severe competition to any new and large shopping centre. To prevent the loss of their customers, they would likely improve parking areas, establish night shopping, cut prices, offer better lines of merchandise and initiate an aggressive advertising campaign. They would presumably also secure the support of city and business organizations.

The deciding factor for limiting our analysis to a neighbourhood shopping centre was the announcement in the fall of 1956 of plans for a

65-store community shopping centre, mentioned earlier, to be built by Principal Investments Ltd. at Clarke Sideroad and Dundas Street. In our opinion, completion of the Clarke Sideroad-Dundas centre would effectively eliminate the possibility of any other large centre being established in London, the population being too small to justify economically one much less two such centres. Assuming the completion of the Clarke Sideroad-Dundas centre then, the authors decided to limit the analysis by assuming the feasibility of no more than neighbourhood centres in each of the other five potential sites. We further assumed that it was the company's objective to erect at least a 10,000 square-foot supermarket in any site selected.

With these preliminary assumptions, we then turned to a consideration of each of the prospective sites. Each site was evaluated in respect each of the factors listed earlier. The analyses follow.

Site No. 1—The Intersection of Huron and Highbury Streets

The Huron-Highbury site is Number 1 on the reference map. A supermarket on this site could draw on a present population of 11,000 within a two-mile radius,[1] or an estimated 15,000 in the next three to five years with a sales potential of $66,000 and $82,800 per week respectively. These figures were calculated using a figure of $5.60 for weekly food purchases per person, the London average.

Since there are already three large supermarkets in this area, our firm could expect to secure 10% to 15% of this market at most.[2] Using $2.50 sales per square foot[2] per week as a breakeven volume, a supermarket any larger than 4,800 square feet in size would not be justified. This does not meet with the objective to locate in an area that would support a 10,000-square-foot supermarket. Thus, on the basis of inadequate sales potential this site does not seem suitable for location of a supermarket at this time.

Site No. 2—Richmond Street North in Broughdale

The Broughdale site is number 2 on the reference map. It could draw on an area with a population breakdown as follows:

½ mile radius from site:	2,040	people[3]
1 mile radius from site:	7,000	"
2 miles radius from site:	12,000	"
North London	38,000	"

[1]Assessment Offices of City of London and London Township.

[2]Figures established by a national food chain.

[3]London Transit Commission; City of London Assessment Dept., and London Township Planning Board.

The buying potential in this area is probably above the London average due to new and established subdivisions of upper-middle income homes. If the London average for food spending is $5.60 per week per person, we would estimate the average in the Broughdale area to be at least $6.00. Considerable building of new subdivisions indicates a growing future potential.

Competition is fairly strong in the fringe area around this site, i.e. close to two-mile radius. A local shopping centre promoter estimates that the total area north of Oxford Street can support four supermarkets. The Broughdale location would represent the fourth.

In the one-mile radius, with a population of 7,000, we can probably expect 75% of the potential; in the two-mile radius, 50% of a possible 12,000 people. In the entire North London area, the percentage drops to 25% of 38,000 people.

On the basis of $2.50 of food sales per square foot of floor space, with food buying at $6.00 per person per week, the breakeven store size drawing only on a one-mile radius is 12,600 sq. ft.; for two miles, 14,400 sq. ft.; and for North London, 22,800 sq. ft. The picture is better than marginal even in the first two cases, and in view of the housing expansion in the site area and the rise in population potential, we feel that the location is justified.

Despite the foregoing, there is a major obstacle to location in Broughdale in the attitude of local residents. The upper-middle class residents of the area do not want commercial establishments encroaching on their privacy. This is also the attitude of a religious establishment located nearby. Rezoning has been fought successfully.

A second problem involves traffic movement. The site is located on a curved approach to a narrow bridge. The road north of the site is narrow while the southern approach is wide. A bottleneck results. Traffic and planning authorities are not pleased with the site because of this fact, although widening of the bridge and north road is forecast by the Highways Board sometime in the future.

No parking problem is envisaged as the site contains a more-than-adequate 12.32 acres.

In conclusion, although market potential appears to justify this site, strong opposition from local residents and traffic problems make location unfeasible.

Site No. 3—Dundas Street - Clarke Sideroad

The immediate sales potential in the district surrounding this site was found to be sufficient to justify a 10,000 square foot supermarket.

The district is favored for residential expansion with the availability of water and sewage facilities, lower school tax assessment, and its proximity to the industrial section of the city. The residents are in the middle class and have good diversity of income. The accessibility of the site is relatively good, being within 10 to 15 minutes driving time from most of the area considered.

In spite of the favourable features mentioned, the site was not recommended because of competitive factors.

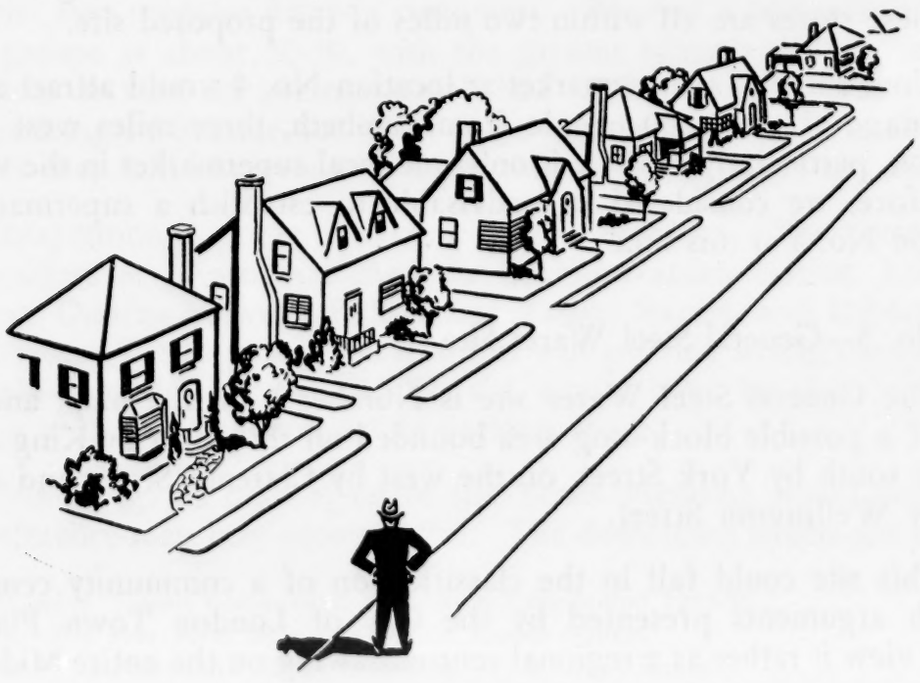
There are presently six supermarkets within or adjoining the area, with another opening soon nearby on Dundas Street. The proposed shopping centre located at Dundas Street and Clarke Sideroad already has one supermarket located within it, and it was not felt to be advantageous to have two supermarkets within this type of shopping centre where the department store is the main drawing card; while food purchases are being made close to home and lean on a "compare before you buy" basis.

Projected into the future, it took a very optimistic estimate of future sales potential to justify a 20,000 square foot supermarket in five years time.

With these consideration in mind, this site was not deemed to be an attractive one for location.

Site No. 4—Highway No. 2 Between London and Lambeth

The proposed location is one mile from the city limits on the north side of highway No. 2. This highway becomes Wharncliffe Road at the



city boundary and is the main north-south traffic artery for West London and from Lambeth to London. Traffic congestion occurs at Wharncliffe and Dundas Street and at the Stanley Street intersection. This situation should be somewhat alleviated when the east-west through traffic by-passes London after the completion of highway No. 401 south of the city.

There are a number of problems associated with locating a supermarket at this site:

1. Less than 1,000 people live within a one-mile radius of the site.
2. There is no bus service in the area.
3. There would be no walk-in trade because of sparsity of population.
4. New house construction is hampered by the lack of sewer and water pipes. The township is not, at present, trying to rectify this situation and until something is done no housing units will receive N.H.A. approval.
5. Current expansion of the London Metropolitan area is to the north, east and west and it seems unlikely that this trend will change in the near future.
6. There is strong supermarket competition. A new Grand Union shopping centre is located at Wharncliffe and Base Line Road. One-half mile north on Wharncliffe is a Dominion store in a local shopping area. A Loblaw's store is situated in another shopping area, just east of the Dominion store, on Wortley Road. A new A & P supermarket is at the corner of Base Line Road, and Wellington Road. These stores are all within two miles of the proposed site.

Undoubtedly, a supermarket at location No. 4 would attract a large percentage of the 1,600 people from Lambeth, three miles west of the location, particularly as there is only one local supermarket in the village. Therefore, we considered it inadvisable to establish a supermarket at location No. 4 at this time.

Site No. 5—General Steel Wares Site

The General Steel Wares site is Number 5 on the map, and consists of a possible block-long area bounded on the north by King Street, on the south by York Street, on the west by Clarence Street and on the east by Wellington Street.

This site could fall in the classification of a community centre although arguments presented by the City of London Town Planning Board view it rather as a regional centre drawing on the entire Middlesex

County area around London to a radius of 30 miles. This view may be kept in mind, as population-wise, the area potential is sufficient for a true regional centre. However, travel time on inadequate traffic arteries, plus the fact that population outside the London township area is widely dispersed, makes a regional centre unlikely. The possible population potential figures are as follows:

½ mile radius	11,000 people	[4]
1 " "	40,000 "	[4]
Greater London	140,000 "	[5]
Middlesex County	189,800 "	[6]

It appears more feasible, after viewing population potential, to consider the G.S.W. site as a community centre with regional characteristics. Furthermore, Planning Board ideas appear to have some merit. The crux of their case lies in the idea that the present downtown area is an asset, not a liability. It is, in effect, a ready-made regional type of shopping centre, or rather, district, with a wide variety of stores, civic and social centres and entertainment outlets to draw people on one grand shopping trip. The variety of outlets is especially appealing to *comparison* shoppers, who are often frustrated by only having one of each type of outlet in a suburban shopping centre. Can our company not capitalize on this regional "drawing card" with a drive-in supermarket?

To answer this question, it is necessary to analyze the prospective consumer. The immediate area around the shopping district is composed of multiple dwellings, i.e., apartment blocks and rooming houses. This district will yield a considerable walk-in trade. The remainder of the potential area contains drive-in customers. We feel a fair split between these groups is about 50-50, with the greater advantage lying in auto customers in view of present established walk-in competition. Customers arriving by bus are not likely to be a major factor as it is doubtful whether they will buy groceries downtown and carry them any distance.

Competition represents a considerable problem. The three main food outlets at present are the new Covent Garden market, Loblaw's store on Dundas between Ridout and Talbot Streets, and Loblaw's on Dundas near Wellington. These stores will provide strong competition for walk-in trade, but the G.S.W. site would have an auto trade advantage with far greater possible parking space.

This brings us once again to the Town Planning Board proposal. The reference map may prove useful. The downtown streets are already

[4]London Transit Commission Population Distribution 1953-54.
[5]London Free Press Data Book—1951 Census figures.
[6]Sales Management—Survey of Buying Power—1955 figures.

congested and G.S.W. site offers only part of a block-long surface area for off-street parking. The answer lies in above-store and below-ground parking at this site, in addition to surface parking. The Planning Board estimates the accommodation of 1,000 cars at the site, 400 additional on the street and 600 places at the new market. Additional parking at the site could be obtained by constructing on part of the lot a parking building of three or four floors directly connected to the store. Actually, any improvement in off-street parking in the immediate vicinity of the store would help, remembering that people want their car close to the store when buying groceries.

Thus, the parking problem may possibly be met, but the problem of accessibility appears to be a key stumbling block. A major feature of suburban centres is ease of accessibility, avoidance of traffic congestion and assured parking. Major access lanes to the G.S.W. site as the Planning Board sees it are:

From the North — Richmond, Pall Mall, Wellington
From the South — Wellington
From the West — York and King
From the East — York - Florence.

Dundas Street is ruled out, east and west, because of the number of lights and general traffic congestion. How much traffic can be moved on these arteries? Traffic load to and from work during rush hours is no criterion, as most shopping occurs between these peaks. The problem of evening and Saturday shopping does arise however. The problem of accessibility might be solved by a system of one-way streets and no parking at any time. This possibility is taking definite shape at the moment in London Traffic Committee meetings.

Assuming traffic flow may be improved, access and circulation at the G.S.W. site still presents a problem. There are no possible turn-off lanes to allow traffic to funnel out of the stream without 'back-up', and circulation within the site will be tight. Two minor problems, which further add to the difficulties, are those of permitting trucks to service the store without crossing auto, pedestrian or bus traffic lanes, and the problem of employee parking.

We feel that solutions to the problems raised are only barely adequate. They do not solve the difficulties to an extent necessary to give the average woman shopper the feeling that she be *assured* of the ease of access and parking she would find at her neighbourhood centre or outlet. The drawing card' of the variety of stores in the downtown area will not be strong enough to induce the housewife to do her grocery shopping at the G.S.W. site. A department store on this site is a different matter, of course.

The traffic and parking situation is unfortunate because there is sufficient potential in the planned areas to justify a store, figure-wise. Because of the competition in the downtown area plus neighbourhood competition, we have used a suggested possible share of sales potential of 25%. The site can be justified either on a one-mile radius or on a Greater London basis. First, on a one-mile basis we can hope for 25% of a possible 40,000 people. Thus, 10,000 people spending the London average of $5.60 per person per week[7] on food will contribute $56,000 per week. On the basis of $2.50 sales per square foot of floor space per week as break-even store volume, the area could support a community store of 22,400 square feet. This is within the average range of 20,000 to 25,000 square feet for a typical community supermarket.

A much wider population area would be needed to support a regional market. Taking a London population of about 100,000 people, and assuming we get the proposed 25%, we can count on a customer potential of 25,000. These people, spending $5:60 per person per week on food, contribute $140,000 in weekly sales. This sales volume could support a store with an area of 56,000 square feet on a break-even basis, which is well above the typical regional supermarket size of 40,000 square feet.

Our conclusion is that this site is ruled out because of traffic and parking problems, even though volume of potential sales makes it appear feasible.

Site No. 6—Oxford Street and Hutton Road

This location is one mile west of the city limits on the south-east side of Oxford Street and Hutton Road. It is opposite the area school, east of the Oakridge Acres Development and half a mile from Riverside Drive.

The area is zoned for single family units, but the Township Planning Board is understood to be prepared to change the ruling to accommodate the people's wish for a shopping centre.[8] There are no supermarkets within two miles of the site although a shopping centre site is proposed at Oxford Street and Hyde Park Road a mile and a half to the west. This latter site is too far out for consideration at this time, and a long-term view must be taken when estimating its profitability. The centre will not be developed for three years.[9]

There are two immediate drawbacks. Oxford street is unpaved, but within two years this should be rectified when it is widened to four

[7]Computed using Sales Management Survey of Buying Power figures—1955.

[8]London Township Planning Board.

[9]According to an Official of the Sifton Construction Co. the centre should be opened in 1959.

lanes as far as Hutton Road. Hutton Road is unpaved and the railroad underpass south of the site is too narrow. The township council has indicated its willingness to act on these problems should a shopping centre locate in the area.

There are two natural obstructions which define the north and south boundaries of expansion. The height of land north of Oxford Street is above the water level table (see map) thereby restricting housing development in this direction. The customer potential to the south is limited by lack of bridges over the Thames River.

Population figures for the trading area were obtained by taking an area bounded on the north by Highway No. 22 (2½ miles from the site), the east by the north branch of the Thames River and Highway No. 22 (1½ miles to the north branch), the south by the Thames River (½ mile) and the west by the Town of Byron (3½ miles). The city population in the area is 7,000,[10] the London Township population is 6,785[11] and Byron 3,300[12]. The growth potential for the next five years in the city section is limited with a maximum population of 10,000 expected by 1961. The township section is growing rapidly and an annual increase to at least 3,000[13] people should be possible. During the same period Byron should increase to at least 5,000. This would mean a total population of over 35,000 people in the area by 1961.

All sections of the area are within 10 minutes driving time from the site and most of the population is less than five minutes away by car. The condition of the access roads is only fair with the majority unpaved; township planning has indicated its intention of improving this situation within the next two years. The main east-west roads are Riverside Drive and Oxford Street and the main north-south arteries Hyde Park and Hutton Road, Platt's Lane, Sarnia and Wharncliffe Roads. (see map).

The residents of Byron and the township subdivisions such as Oakridge Acres, Clearview, Hickory Heights, Forest Hill (all located between London and Byron), University Heights and Orchard Park (both to the north), fall in the middle-income category. They are primarily younger people in the salesman, professional, management or self-employed categories, with a resulting wide diversification of income sources.[14] The population in the city section, however, includes a proportion of people in the lower income or worker category. The average age tends to be higher than in the township subdivisions and their income sources are fairly well diversified.[14]

[10]The City of London Assessment Office.

[11]The London Township Planning Office.

[12]An official of the Town of Byron.

[13]An official of the London Township Planning Board.

[14]Results from a limited survey conducted within the population area.

There are no supermarkets or shopping centres in the township section, and with the exception of the land immediately north of Oxford Street the area is primarily zoned for private dwellings.[15] The Loblaw's store and shopping area at Richmond and Oxford Streets draws some people from the Oakridge section, University Heights and Orchard Park. There is a shortage of parking space, however, which would minimize this competition. The Grand Union neighbourhood shopping centre at Regent and Adelaide undoubtedly attracts people from the northern subdivisions as to a lesser extent does the A & P supermarket at Cheapside east of Adelaide Street.

Competition in the area from London to Byron is limited to existing city stores as there are no stores in the vicinity of the new suburban areas. The Byron residents might be expected to make limited purchases from the local I.G.A. and Superior Stores, while doing their weekly buying from stores such as the Grand Union centre at Base Line and Wharncliffe Roads. The Hutton Road site should attract people from Byron, particularly those already utilizing Riverside Drive.[16]

Competition in the city area north and west of the Thames River would be moderate. There is a Loblaw's at Oxford and Richmond and another at Carling between Ridout and Talbot, a Dominion store at Central and Richmond, an A & P on King Street opposite the market, and the market itself with its produce stalls. All, however, have limited free parking facilities which tends to reduce their competitive position. The traffic lights and heavy traffic on Wharncliffe Road South, should alleviate competition from the Grand Union shopping centre at Base Line, the Dominion Store between Elmwood and Cliftonvale and the Loblaw store at Elmwood and Wortley Road.

The average grocery bill in London is $5.60 per person per week.[17] Since the area under observation is composed largely of middle-income young families, a figure of $6.00 per week was considered more appropriate. A conservative estimate was used to determine the number of shoppers a neighbourhood centre at Hutton Road might expect per week.

Estimated Weekly Sales 1956

33 1/3% of 3,285[18]	in Oakridge Acres	— 1,095
50% of 3,500[18]	in Remaining Subdiv.	— 1,750
25% of 3,300	in Byron	— 825
25% of 7,000	in City area	— 1,750
		5,420

[15]London Township offices.

[16]A traffic count made on Riverside Drive by the Sifton Construction Co. indicated that approximately 1/3 of the people from Byron used this road.

[17]See Introductory Section.

[18]According to the Sifton Construction Co. 1,000 houses are now occupied in the area. This figure is multiplied by the D.B.S. average of 3.5 people per family.

5,420 people at $6.00 per person = $32,520 per week.

The sales figure of $2.50 per square foot of selling space indicates that a store of 15,000 square feet would break even serving 6,250 people per week.

Estimated Weekly Sales 1961

50% of 10,000 in Oakridge Acres area	—	5,000
33 1/3% of 10,000 in Remaining Subdivs.	—	3,300
25% of 5,000 in Byron	—	1,300
25% of 10,000 in City area	—	2,500
		12,100

The anticipated population by 1961 could support a supermarket of more than 25,000 square feet or two supermarkets of 10,000 and 15,000 square feet respectively, assuming no increase in number of customers because of two centres serving in the area. Actually, the percentage of customers shopping in the area when two shopping centres exist would probably be appreciably higher than the figures used above indicate. Unless a number of competitors move into the area two shopping centres should enjoy profitable operations by 1961.

Thus far estimate of the customer potential indicates that the area could support a neighbourhood shopping centre containing a supermarket of 15,000 square feet within one year. The road accessibility is fairly good and improvements are scheduled within the next year or two. The people in the area want a shopping centre and the township is believed to be prepared to change the zoning by-laws, pave the access roads and widen the underpass on Hutton Road to accommodate such an enterprise.

Summary and Conclusions

In the preceding pages we have presented a method of analysis for evaluating possible sites for a supermarket. The method has involved: (a) defining a trading area for any site; (b) estimating present and future population of the trading area; (c) estimating potential dollar sales of grocery items for that population; (d) evaluating the effectiveness of existing competition in the area, and (e) estimating the size of store the area could support.

This method was applied to six proposed locations in the London, Ontario area. Our conclusions after evaluating each of these sites, are as follows:

Locating a supermarket at Sites No. 1 and 3 (Huron-Highbury and the Dundas-Clarke Sideroad Locations) seems to be unwise because of low sales potential or heavy competition and poor accessibility, while the General Steel Wares (No. 5) and Broughdale (No. 2) sites were discarded mainly because of the poor traffic conditions, although there is

enough sales potential to support a store in these areas. Site No. 4, the Wharncliffe South area, is not satisfactory because of the insufficient sales volume.

A supermarket could, however, be built immediately at the Oxford-Hutton Road location, No. 6 on the map. Within one year there should be a large enough population to support a 15,000 sq. ft. supermarket. In the next five years population is expected to triple. The local residents and London township officials appear to favour the location of a supermarket. The roads leading to the centre are expected to be paved and widened in the next two years, which will improve the accessibility. Finally, there is little competition in this area.

The Breakdown of Nations

Let Dr. Leopold Kohr himself introduce his just-published book:

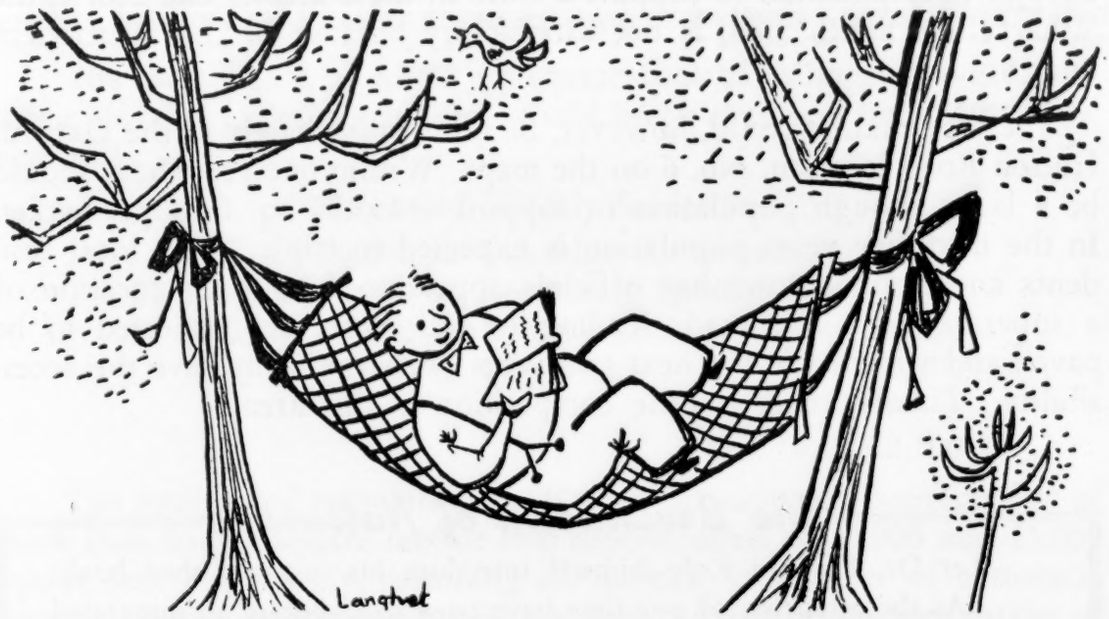
"As the physicists of our time have tried to elaborate an integrated single theory, capable of explaining not only some but all phenomena of the *physical* universe, so I have tried on a different plane to develop a single theory through which not only some but all phenomena of the *social* universe can be reduced to a common denominator. The result is a new and unified political philosophy centering in the *theory of size.* It suggests that there seems only one cause behind all forms of social misery: *bigness* . . .

"For social problems, to paraphrase the population doctrine of Thomas Malthus, have the unfortunate tendency to grow at a geometric ratio with the growth of the organism of which they are part, while the ability of man to cope with them, if it can be extended at all, grows only at an arithmetic ratio. . . .

"If moral, physical, or political misery is nothing but a function of size, if the only problem is one of bigness, the only solution must lie in the cutting down of the substances and organisms which have outgrown their natural limits. The problem is not to grow but to stop growing; the answer: not union but division.

"This would seem platitudinous if it were submitted to a surgeon, a mason, an engineer, or an editor. Their entire lifework consists of nothing but the cutting of what is too big, and the reassembling of the smaller units into new forms and healthier structures. But it is different with social technicians. Though quite sensible at lower levels, at the more exalted levels of politics and economics they seem for ever out to create still bigger entities. To them, the suggestion of cutting what has become too large is not platitude but sacrilege. . . .

"However, what is true of men living in overcrowded prison camps is also true of men living in the overgrown compounds of those modern nations whose unmanageable size has become the principal cause of our present difficulties. Hence, just as in the case of Korean camps, the solution of the problems confronting the world lies in the elimination of those overgrown organisms that go by the name of great powers, and in the restoration of a healthy system of small and easily manageable states such as characterized earlier ages. This is the proposal advanced in this book."



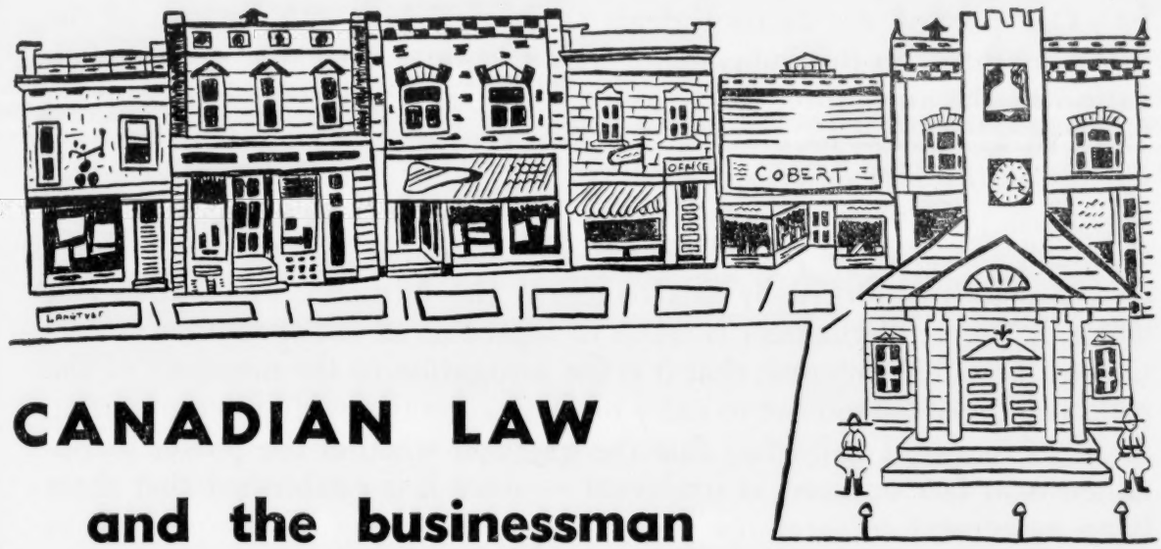
BOOK REVIEWS

SUPERVISORY AND EXECUTIVE DEVELOPMENT

by Maier, Solem & Maier, John Wiley & Sons, Inc., 330 pp. $6.50

Many are the means employed by business organizations today to provide training programs for company personnel. While these programs take many forms, all undertake to achieve the development of the individual to understand the implications of assuming increasing responsibility in the organization. For those companies intent upon reaching well-down in their organizations with their development programs, there is a new book available which may offer substantial assistance. This publication, entitled "Supervisory and Executive Development" by Maier, Solem and Maier, is a commendable effort to provide guidance on a particular type of development program, including precise instructions regarding method of approach.

This book is really a casebook on Human Relations but takes the point of view that "role playing" is the best manner in which to develop an appreciation and understanding of the problems involved. Precise instructions are provided for each case situation which should be particularly helpful for the director not personally experienced in using the so-called 'case aproach'.



CANADIAN LAW and the businessman

John P. Robarts, Q.C., M.L.A.

R. V. Howard Smith Paper Mills Limited, et al. The decision of the Supreme Court of Canada, given on the 13th May, 1957, is important for big business.

ON 4th June, 1954, seven manufacturers of fine papers and twenty-one fine paper merchants, and the Secretary of the Canadian Paper Trade Association were convicted on an indictment charging that "during the period from 1933 to the 31st day of October 1952 both inclusive, within the jurisdiction of this Honourable Court (they) did unlawfully conspire, combine, agree or arrange together and with one another and with (twenty-seven co-conspirators therein named) to unduly prevent or lessen competition in the production, manufacture, purchase, barter, sale, transportation or supply in the City of Toronto, in the County of York, and other places throughout the Province of Ontario, and in the City of Montreal, in the Province of Quebec, and other places throughout the province of Quebec, and elsewhere in Canada where the articles or commodities hereinafter mentioned are offered for sale, of articles or commodities which may be the subject of trade or commerce, to wit, book papers including general printing and converting papers, fine papers including rag content and sulphite writing paper, coated papers, miscellaneous fine papers including blotting and bristols, groundwood printing and specialty papers containing more than 50% groundwood and other fine papers, and did thereby commit an indictable offence contrary to the provisions of the Criminal Code, Section 498 subsection 1 (d)".

In brief, the facts found were as follows:

(1) From before 1933, the manufacturers reached agreement on control and price fixing, and

(2) The merchant group controlled all of the wholesale trade in fine paper in Ontario and Quebec, and

(3) The two groups came together through the agency of the Mills Relation Committee of the merchants and made agreements to lessen competition in fine paper throughout the whole of Canada.

One part of the decision deals at great length with the use of the word "unduly" in the indictment. After a long and exhaustive investigation of the authorities, Mr. Justice Cartwright reaches the conclusion "that an agreement to prevent or lessen competition in commercial activities of the sort described above in the indictment, becomes criminal when the prevention or lessening of competition agreed upon reaches the point at which the participants in the agreement become free to carry on those activities virtually unaffected by the influence of competition, which influence Parliament is taken to regard as an indispensable protection of the public interest; that it is the arrogation to the members of the combination of the power to carry on their activities without competition which is rendered unlawful; that the question whether the power so obtained is in fact misused, is irrelevant — once it is established that there is an agreement to carry the prevention or lessening of competition to the point mentioned, injury to the public interest is conclusively presumed, and the parties to the agreement are liable to be convicted . . .".

Public Is Entitled To Free Competition

The learned Judge goes on further to find that because the purpose and effect of the agreement established between these parties was the elimination and prevention of competition, it therefore must be "undue", even though it might be proved that such prevention or elimination of competition (a) permitted the industry to develop and survive in Canada (b) did not lead to anything more than reasonable profits and (c) that the prices charged were reasonable. Such proof would constitute no answer to the charge, and the evidence given to establish such proof would be irrelevant.

Mr. Justice Taschereau found as well, in this regard, that

(1) Conspiracy is a crime by itself, without the necessity of any overt act.

(2) It is not necessary to establish that the agreement was detrimental to the public, and

(3) The fact that the acts complained of were beneficial to the public is of no import.

He goes on to say "The public is entitled to the benefit of *free competition*, and the prohibitions of the act cannot be evaded by good motives.. Whether they be innocent and even commendable, they cannot alter the true character of the combine which the law forbids, and the wish to accomplish desirable purposes constitutes no defence and will not condone the undue restraint, which is the elimination of the free domestic markets".

Two other points in the judgment are of interest. It was held that the agreement constituting the conspiracy did not have to be found within the four corners of a written document but could be deduced from oral evidence, minutes, correspondence and other writings.

Finally, it was contended that the agreement ceased to come within the ban of the Criminal Code when the wartime controls made competition all but impossible. This contention was disposed of summarily as not constituting any answer to the indictment.

However, as in the case of any well-run program of executive development, success is dependent very much on able leadership and a top management policy thoroughly sympathetic with the objectives of the program. This new contribution in the area of Executive Development Programs may well prove a real contribution to many firms, especially those who are presently seeking new approaches to strengthen their programs.

—L. W. Sipherd, Professor
School of Business Administration, U.W.O.

LOCATION AND SPACE-ECONOMY

by Walter Isard, Technology Press and John Wiley & Sons, Inc., New York, 1956. 350 pp. $8.75.

Professor Walter Isard of the University of Pennsylvania makes a significant contribution to the social science disciplines in his analysis of location and space-economy. The operation of economic processes in the real world is usually studied without proper regard to important geographic factors. Professor Isard develops a theory of society or economy that embraces both time and space dimensions and goes on to develop the application of his theory to such day-to-day problems as industrial concentration and the geographic spread of industry, city planning, urban renewal, land use, and marketing analysis.

Canada, as a rapidly expanding industrial country, is faced with many problems of regional development. Great concentrations of population and economic activity contrast severely with great expanses of empty areas. Little or no study has been given in Canada to the evolving patterns of economic activity. Perhaps the absence of definite studies such as Professor Isard's "Location and Space-Economy" may explain a lack of interest on the part of the businessman and industrialist. Canada's evolving patterns of economic activity reveal many disparities in rates of growth among the many regions of Canada. Not only does Professor Isard's theory clarify the facts of industrial location, market areas, land use, trade, and urban structure, it enables the thoughtful reader to suggest programs of action that will assist the entrepreneur and political leader to guide development along rational economic lines.

Each business house should have a copy of this book in its research library, immediately accessible to the persons dealing with location theory as it affects plant sites, marketing outlets, urban characteristics, or regional resources analyses.

—Edward G. Pleva
Professor of Geography, U.W.O.

ONE UNIVERSITY: A HISTORY OF THE UNIVERSITY OF MANITOBA

by W. L. Morton. McClelland and Stewart Ltd., Toronto, 1957. 200 pp. $4.00.

This book is timely in view of current interest in expanding Canadian university facilities and its two continuing themes are of particular interest and importance:

1. The problems involved in blending denominational colleges, with their differing traditions and conflicting purposes, first into affiliated colleges and later, into faculties, in order to build a cohesive and centralized university. The model for this appears to be the constitution of the University of Toronto.

2. The evolution of practical university government and the near exclusion of the scholar from it, which Prof. Morton sees as one of the more serious weaknesses in present higher education.

The University of Manitoba has constantly wrestled with the problem of combining the corporate life and moral influence of separate or affiliated colleges with the larger resources and specialized faculties of a state-supported university. The solution to this problem is further complicated by that branch of public opinion which abhors state power over education and desires the preservation of the private institution "as a final guardian of freedom of thought and of standards of scholarship." Yet expanded education facilities demand abundant capital, unavailable to the private college on any great scale.

Prof. Morton also feels that in the process of fusion and growth at the University of Manitoba, the place of religion, so well preserved in the denominational colleges, has been largely ignored. This omission, in effect, "misrepresents the society which the university serves" and undoubtedly it should be rectified by the planners.

These themes are interwoven with the story of the university's organization and administration, as well as the development of the curriculum and the beginnings of research.

This book contains a wealth of background information for those planning the increased role of the university in Canada's future, and all who follow, with interest and pride, the development of our great educational institutions.

Douglas S. Allen, Research Associate,
School of Business Administration, U.W.O.

(Continued on Page 236)

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Book Reviews continued

THIS IS ON THE HOUSE

by Judith Robinson. Illustrations by Grassick. McClelland and Stewart, Toronto. 160 pp. $2.95.

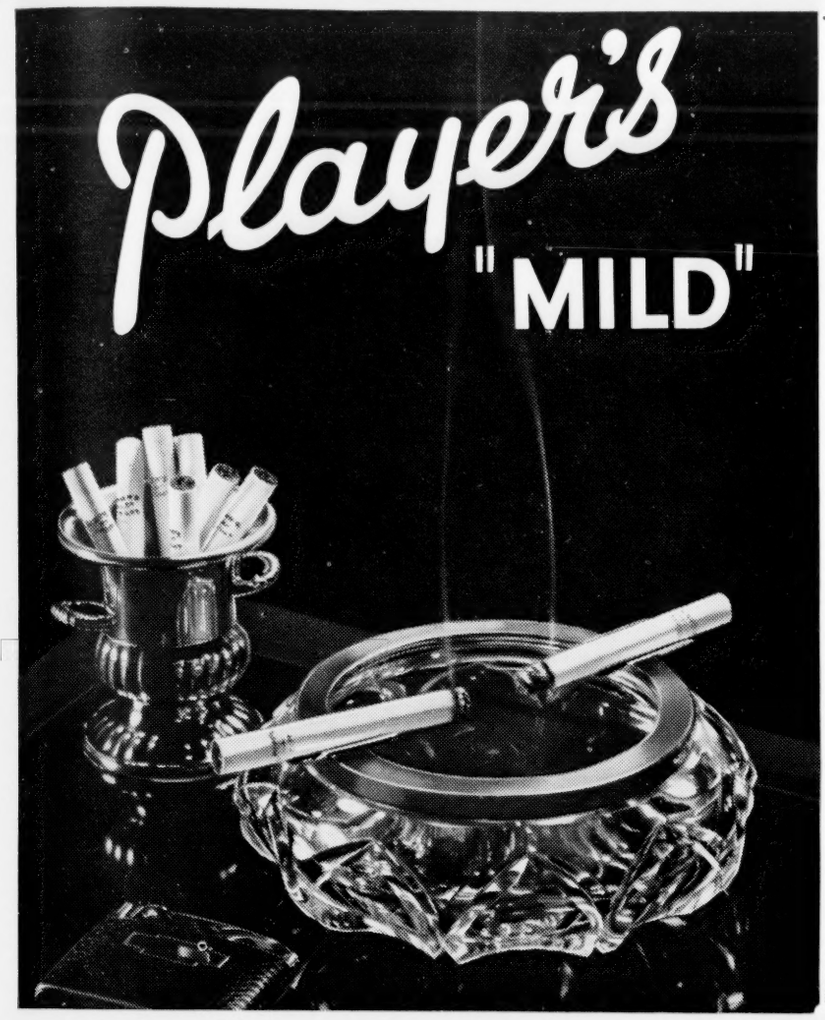
The trouble with Canadian politics is apathy. Go to the House of Commons in Ottawa and even when our elected representatives are doubling their own salaries and voting themselves life pensions to match, permanently committing us to a couple of million dollars from here to infinity, and you will find the public galleries empty.

Miss Judith Robinson, whose pungent pen has brightened various Toronto papers since 1930, obviously feels that the Liberals have been in power too long and that the Conservatives would bring greater honour to Canada, particularly in Commonwealth and international negotiations.

Readers should not be so disgusted with their representatives in Ottawa as not to vote, but whoever wins in June, let this book be a lesson to them what not to do during our next Government. It should be read by all electors who have far too little knowledge about the demolition work to our institutions perpetrated by the Federal Liberals while they put up a smokescreen of building up a Canada with American capital.

Grassick's illustrations are executed with a sturdy independence unblinded by the smokescreen of Governmental public relation handouts.

—A. Gordon Huson, Editor



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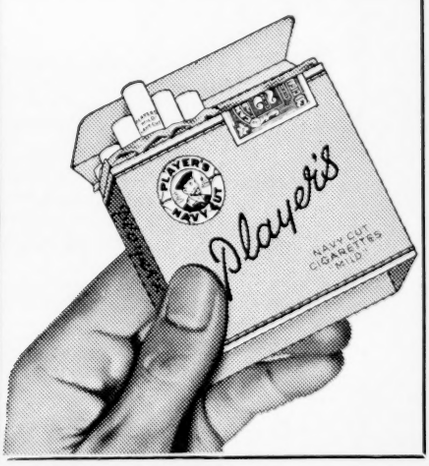

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ACCOUNTING TERMINOLOGY — Canadian Institute of Chartered Accountants, 77 pp., $2.50.

THE EMPIRE OF THE ST. LAWRENCE — *Donald G. Creighton* — Macmillan Co. of Canada, Ltd., 441 pp., $7.50.

PRODUCTION FORECASTING PLANNING & CONTROL — *Mac Neice*—John Wiley & Sons, Inc., 374 pp., $8.25.

COMMUNICATION THROUGH REPORTS — *Paul Douglass* — Prentice-Hall, Inc., 410 pp., $5.95.

INTRODUCTION TO OPERATIONS RESEARCH — *Churchman, Ackoff & Arnoff* — John Wiley & Sons, Inc., 645 pp., $12.00.

DEPARTMENTAL MERCHANDISING RESULTS IN SMALL DEPARTMENT STORES—*Edgar H. Gault*—Bureau of Business Research, School of Business Administration, University of Michigan, 52 pp., $2.00.

COMPANY INVESTIGATIONS OF AUTOMATIC DATA PROCESSING — *Peter Laubach* — Division of Research, Harvard Business School, 258 pp., $3.00.

PUTTING YOURSELF OVER IN BUSINESS — *Frederick Dyer* — Prentice-Hall, Inc., 206 pp., $4.95.

CONSUMER CREDIT AND THE AMERICAN FAMILY — Bureau of Business Research, School of Business Administration, University of Michigan, 139 pp., $2.50.

AUTOMATION IN BUSINESS AND INDUSTRY — *Eugene M. Grabbe* — John Wiley & Sons, Inc., 611 pp., $10.00.

A CONCEPT OF AGRIBUSINESS — *John H. Davis and Ray A. Goldberg* —Division of Research, Harvard Business School, 136 pp., $6.00.

1956 ECONOMIC SURVEY OF EUROPE—United Nations, $2.50.

1956 ECONOMIC SURVEY OF ASIA AND THE FAR EAST—United Nations, $2.50.

COST ACCOUNTING, 2nd edition—*Schlatter and Schlatter*—John Wiley & Sons, Inc., 725 pp., $7.25.

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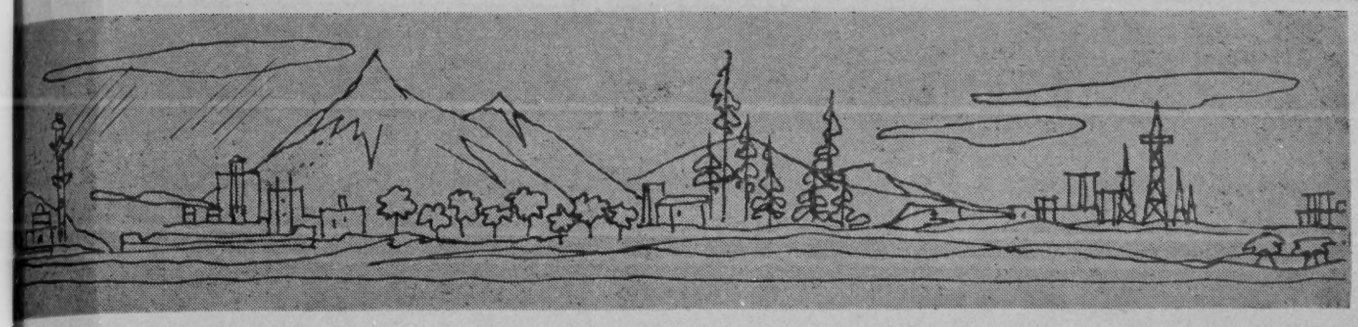

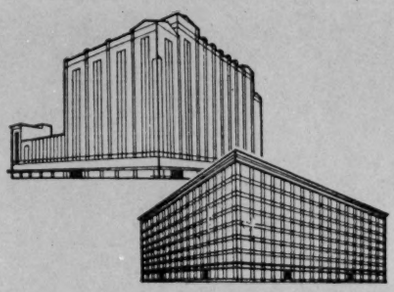

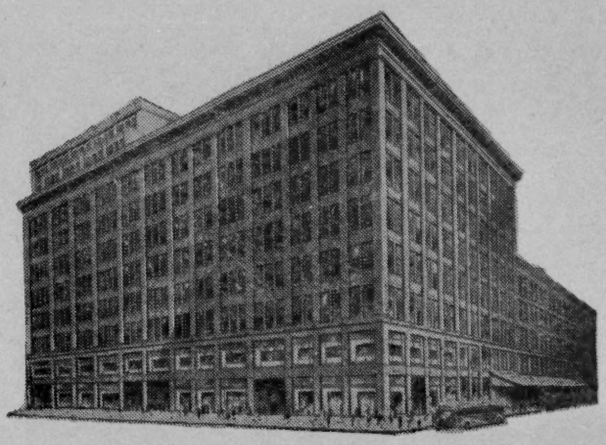

CANADIAN ON A LARGE SCALE

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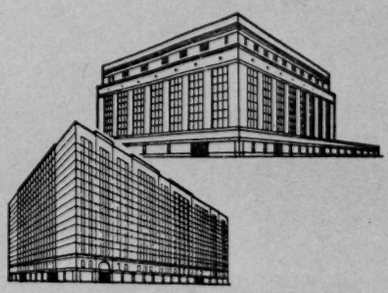

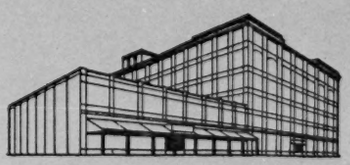

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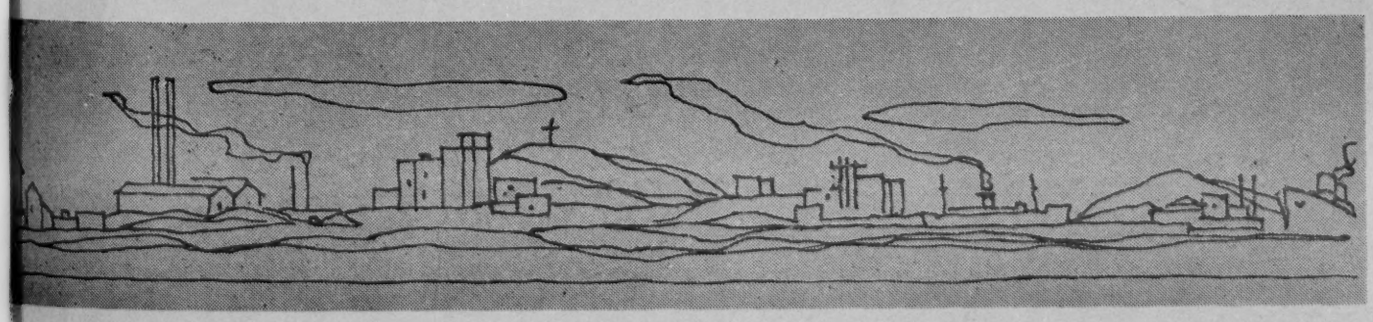

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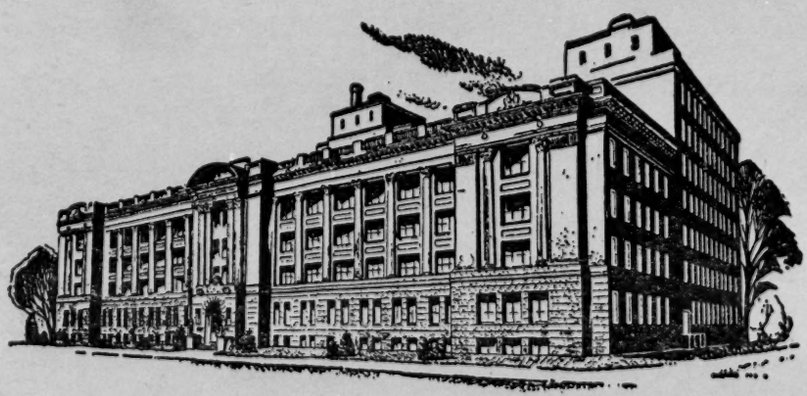

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